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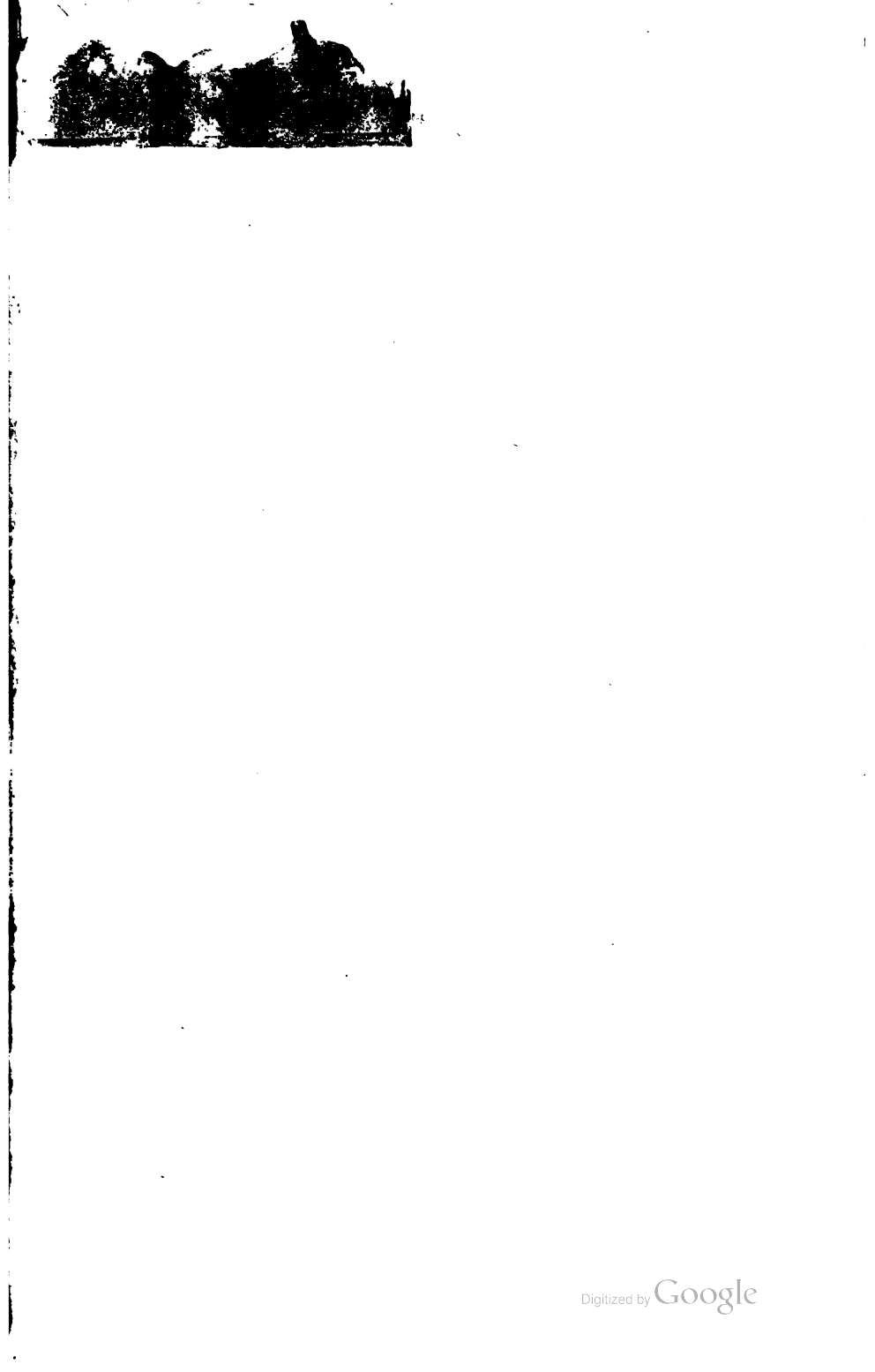


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Re. 2 - March 11, 1831.

For letters on wages. p. 42. 1831.

" " " " p. 44.

" " " " p. 45.

Contents :—

1. See opposite.

2. Senior, N. W. Three lectures on the cost of obtaining money, etc.

3. ——— Three lectures on the transmission of the precious metals from country to country, etc.

17

③

THREE LECTURES

ON THE

RATE OF WAGES,

DELIVERED BEFORE THE UNIVERSITY OF OXFORD,
IN EASTER TERM, 1830.

WITH A PREFACE

ON THE

CAUSES AND REMEDIES OF THE PRESENT
DISTURBANCES.

*Bellicue causas et vitia et modos
Tractas, et incedis per ignes
Suppositos cineri doloso.*

By NASSAU WILLIAM SENIOR,

OF MAGDALEN COLLEGE, A.M.;
LATE PROFESSOR OF POLITICAL ECONOMY.

LONDON:
JOHN MURRAY, ALBEMARLE-STREET.

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P R E F A C E.

THE following Lectures contain little that is not well known to many of my readers, and still less that is peculiarly and exclusively appropriate to the present emergency. They were written and delivered in a period of profound tranquillity; but we are now in a state which may require the exertions of every individual among the educated classes, and many may have to assist in executing, or even in originating measures for the relief of the labouring population, who are not yet sufficiently familiar with the principles according to which that relief is to be afforded.

Under such circumstances, it has appeared to me that advantage might be derived from a short explanation of the ambiguities and fallacies which most obscure the subject of wages—the most difficult and the most important of all the branches of political economy.

My principal object, however, has been to draw attention to the elementary proposition, that *the rate of wages depends on the extent of the fund for the maintenance of labourers, compared with*

the number of labourers to be maintained. This proposition is so nearly self-evident, that it may appear scarcely to deserve a formal statement; still less to be dwelt on as if it were a discovery. It is true that it is obvious and trite; but, perhaps, on that very account, its practical consequences have been neglected. In the first place, if this proposition be admitted, many prevalent opinions respecting the effects of unproductive consumption, of machinery, and of free-trade, must be abandoned; and to show this, is the object of the second and third of the following Lectures. And in the second place, it must also follow that the rate of wages can be raised, or, what is nearly the same, the condition of the labouring classes improved, only by either increasing the fund for their maintenance, or diminishing the number to be maintained.

The principal means by which the fund for the maintenance of labourers can be increased, is by increasing the productiveness of labour. And this may be done,—

First, By allowing every man to exert himself in the way which, from experience, he finds most beneficial; by freeing industry from the mass of restrictions, prohibitions, and protecting duties, with which the Legislature, sometimes in well-meaning ignorance, sometimes in pity, and some-

times in national jealousy, has laboured to crush or misdirect her efforts; and,

Secondly, By putting an end to that unhappy system which, in the southern counties, has dissociated labour from subsistence—has made wages not a matter of contract between the master and the workman, but a right in the one, and a tax on the other; and, by removing the motives for exertion, has rendered, as far as it has been possible, the labourer unworthy of his hire.

The only effectual and permanent means of preventing the undue increase of the number to be maintained, is to raise the moral and intellectual character of the labouring population; to improve, or, I fear we must say, to create habits of prudence, of self-respect, and of self-restraint; to equalize, as by nature they are equal, the wages of the single and the married, and no longer to make a family the passport to allowance. But these are necessarily gradual measures—they are preventive, not remedial. The only immediate remedy for an actual excess in one class of the population, is the ancient and approved one, *coloniam deducere*.

It is of great importance to keep in mind, that not only is emigration the sole immediate remedy, but that it is a remedy preparatory to the adoption and necessary to the safety of every other.

The principal cause of the calamities that we are witnessing, has been the disturbance which the poor-laws, as at present administered in the south of England, have created in the most extensive and the most important of all political relations, the relation between the employer and the labourer.

The slave (using that word in its strict sense) cannot choose his owner, his employment, or his residence; his whole services are the property of another, and their value, however high, gives him no additional claim. On the other hand, he is entitled to subsistence for himself and his family: clothing, lodging, food, medical attendance—everything, in short, which is necessary to keep him in health and strength is provided for him, from the same motives, and with the same liberality, that they are provided for the other domestic animals of his master. He is bound to labour, and has a right to be maintained. Extreme idleness may subject him to the lash, but extraordinary diligence cannot better his condition. He is equally incapable of being benefited by self-restraint, or injured by improvidence. While single, he receives a bare subsistence; if he have a family, his maintenance rises in precise proportion to his wants: the prudential check to population does not exist,—it is kept down, if at all, by oppression

on the part of the master, or vice on that of the slave. This, notwithstanding the various degrees of mitigation which have been introduced by custom or by law, is, in substance, the condition of slaves, wherever slavery exists.

In such a country distress begins, not, as in the case of a free country, with the lower orders, but with the higher. A bad system, therefore, can continue there much longer, because the class affected have farther to fall; and, for the same reason, the ruin, when it does come, is sudden and irretrievable. While misgovernment, by excessive or ill-placed taxation, by commercial restrictions, by allowing insecurity of person or property, by applying any artificial stimulus to population, or under any other of its numerous forms, is gradually wasting the surplus that belongs to landlords and capitalists, the slave population may scarcely feel its effects. Subsistence is all they are entitled to, and *that* they must receive as long as their labour produces it. But the instant that surplus is gone, and distress reaches those whose previous maintenance was only equal to their necessities, what is there between them and absolute destruction? If the evils which have been so long accumulating in some of our West Indian islands had affected a free country, the whole population would, long ago, have risen to redress

them. But, as yet, they have reached only the slave-owner. He has found his property gradually wasting away; he has found that his slaves every year consume a larger and a larger proportion of what they produce; but even still he has something to lose: and while that is the case, *their* situation is unaffected. When the whole produce has become only sufficient to feed the negroes, — a time which, under the present system, is rapidly advancing in some of the older islands, — the whites must abandon them as a field for all the moral and physical evil that slaves, helpless by education and desperate from want, will mutually suffer and inflict*.

The freeman (using that term in its full meaning) is the master of his exertions, and of his residence. He may refuse to quit the spot, or to change the employment, in which his labour has become unprofitable. As he may refuse to labour at all, he may ask for his services whatever remuneration he thinks fit; but as no one is bound to purchase those services, and as no one is obliged to afford him food, clothing, or any of the necessities of life, he is forced, if he would subsist, to follow the trade, and dwell in the place, and exert the diligence which will make his services worth pur-

* This is one of the modes in which slavery may be extinguished, but it is a dreadful abuse of language to call it euthanasia.

phasing; and he is forced to offer them for sale, by the same necessity which forces the capitalist to offer him wages in exchange for them. And the bargain is settled, like all other free bargains, by the respective market values of the things exchanged. As marriage has no tendency to increase the value of his labour, it has no tendency to increase his remuneration. He defers it, therefore, till the savings made while he was single afford a fund to meet the expenses of a family; and population is kept down by the only check that is consistent with moral or physical welfare—the prudential check.

To this state of things there is a near approach among the labouring classes in the most advanced districts of the continent of Europe, in the lowlands of Scotland, and even throughout the British empire, among the best educated of those classes who derive their chief subsistence from their exertions, including professional persons, domestic servants, skilled artisans, and that portion of the shopkeepers whose profits are, in fact, principally the wages of their labour.

The poor-laws, as administered in the southern districts of England, are an attempt to unite the irreconcilable advantages of freedom and servitude. The labourer is to be a free agent, but without the hazards of free agency; to be free

from the coercion, but to enjoy the assured subsistence of the slave. He is expected to be diligent, though he has no fear of want; provident, though his pay rises as his family increases; attached to a master who employs him in pursuance of a vestry resolution; and grateful for the allowance which the magistrates order him as a right.

In the natural state of the relation between the capitalist and the labourer, when the amount of wages to be paid, and of work to be done, are the subjects of a free and open bargain; when the labourer obtains, and knows that he is to obtain, just what his services are worth to his employer, he must feel any fall in the price of his labour to be an evil, but is not likely to complain of it as an injustice. Greater exertion and severer economy are his first resources in distress; and what they cannot supply, he receives with gratitude from the benevolent. The connexion between him and his master has the kindliness of a voluntary association, in which each party is conscious of benefit, and each feels that his own welfare depends, to a certain extent, on the welfare of the other. But the instant wages cease to be a bargain—the instant the labourer is paid, not according to his *value*, but his *wants*, he ceases to be a freeman. He acquires the indolence, the improvidence, the rapacity, and the malignity, but not the

subordination of a slave. He is told that he has a *right* to wages, but that he is *bound* to work. Who is to decide how hard he ought to work, or how hard he does work? Who is to decide what amount of wages he has a *right* to? As yet, the decision has been made by the overseers and the magistrates. But they were interested parties. The labourer has thought fit to correct that decision. For the present he thinks that he has a *right* to 2s. 3d. a day in winter; and 2s. 6d. in summer. And our only hope seems to be, that the promise of such wages will bribe him into quiet. But who can doubt that he will measure his rights by his wishes, or that his wishes will extend with the prospect of their gratification? The present tide may not complete the inundation, but it will be a dreadful error if we mistake the ebb for a permanent receding of the waters. A breach has been made in the sea-wall, and with every succeeding irruption they will swell higher and spread more widely. What we are suffering is nothing to what we have to expect. Next year, perhaps, the labourer will think it *unjust* that he should have less than 4s. a day in winter and 5s. in summer;—and woe to the tyrants who deny him his *right*!

It is true, that such a right could not be permanently enforced;—it is true, that if the labourer

burns the corn-ticks in which his subsistence for the current year is stored—if he consumes in idleness or in riot the time and the exertions on which next year's harvest depends—if he wastes in extravagant wages, or drives to foreign countries, the capital that is to assist and render productive his labour, he will be the greatest sufferer in the common ruin. Those who have property may escape with a portion of it to some country in which their rights will be protected; but the labourer must remain to enjoy his own works—to feel that the real rewards for plunder and devastation are want and disease.

But, have the consequences of the present system ever been explained to the labourer? Is not his right to good wages re-echoed from all parts of the country? Is he not told—'Dwell in the land, and verily thou shalt be fed'? Does not the Honourable Member, who has affixed this motto to his work, assume, that the fund out of which the labourer is to be fed is practically inexhaustible? And can words more strongly imply that his sufferings arise from the *injustice* of his superiors? Have not even magistrates and landlords recommended the destruction, or, what is the same, both in principle and effect, the disuse of the very machines of which the object is to render labour more efficient in the production of the articles

consumed by the labourer—in the production of that very fund on the extent of which, compared with the number to be maintained, the amount of wages depends? And is there any real difference between this conduct and the burning of a rick-yard? Threshing-machines are the present objects of hostility, ploughs will be the next; spades will then be found to diminish employment; and when it has been made penal to give advantage to labour by any tool or instrument whatever, the last step must be to prohibit the use of the right-hand.

Have sufficient pains been taken even to expose the absurdity of what appears so obvious to the populace—that the landlords ought to reduce their rents and the clergy their tithes, and then the farmer would give better wages? If the farmer had his land for nothing, still it would not be his interest to give any man more wages for a day's work than his day's work was worth. He could better afford it, no doubt, to be paid as a *tax*; but why should the farmer pay that tax more than the physician or the shopkeeper? If the farmer is to employ, at this advanced rate of wages, only whom he chooses, the distress will be increased, since he will employ only that smaller number whose labour is worth their increased pay. If he is to employ a certain proportion of the labourers, however numerous, in his parish, he is, in fact, to

pay rent and tithes as before, with this difference only, that they are to be paid to paupers, instead of to the landlord and the parson; and that the payment is not a fixed but an indefinite sum, and a sum which must every year increase in an accelerated ratio, as the increase of population rushes to fill up this new vacuum, till rent, tithes, profit, and capital, are all eaten up, and pauperism produces what may be called its natural effects—for they are the effects which, if unchecked, it must ultimately produce—famine, pestilence, and civil war.

That this country can preserve its prosperity, or even its social existence, if the state of feeling which I have described becomes universal among the lower classes, I think no one will be bold enough to maintain. That it is extensively prevalent, and that, under the present administration of the poor-laws, it *will*, at no remote period, become universal in the southern districts, appears to me to be equally clear. But who, in the present state of those districts, will venture to carry into execution a real and effectual alteration of the poor-laws? Remove, by emigration, the pauperism that now oppresses those districts, and such an alteration, though it may remain difficult, will cease to be impracticable.

Again, the corn-laws, by their tendency to

raise the price of subsistence, by the ruin which they have inflicted on the internal corn-trade; and the stimulus which they have given to the increase of the agricultural population, have without doubt been amongst the causes of the present distress; and if, while the population of England and Wales continues to increase *at the rate of 500 persons a day*, the introduction of foreign corn is subject, under ordinary prices, to a prohibitive duty, those laws will become every day more mischievous, and less remediable. But the repeal of those laws, however gradual (and only a gradual repeal can be thought of), would, under the present pressure of pauperism, tend to aggravate the agricultural distress. Lighten that pressure, and we may gradually revert to the only safe system—the system of freedom.

This observation, indeed, is only one example of a general rule. Nature has decreed that the road to good shall be through evil—that no improvement shall take place in which the general advantage shall not be accompanied by partial suffering. The obvious remedy is to remove those whose labour has ceased to be profitable, to a country that will afford room for their exertions. Few inventions, during the present century, have conferred greater benefits on the labouring classes than that of the power-loom. By diminishing the

expense of clothing, it has been a source, not merely of comfort, but of health and longevity. But its proximate effect was to spread ruin among the hand-weavers; to reduce almost all of them to a mere subsistence, and many to the most abject want. Ever since its introduction, thousands have been pining away under misery, not alleviated even by hope; with no rational expectation, but that the ensuing year would be more calamitous than the passing one; and this without fault, without even improvidence. If it had been thought that the removal of a fellow-creature from misery to happiness is worth 12*l.*, they might now have formed a flourishing settlement in British America.

The hostility of many, coupled with the indifference of almost all others, to any systematic plan of emigration, is a ground for regret and alarm, considered not only as a cause, but as a symptom. It is a lamentable proof of ignorance as to the real state of the country, or of carelessness as to its welfare, or of a determination to make no sacrifice for its relief.

We are told that emigration would be expensive, and again we are told that the vacuum would be filled up.

It is true, that to remove a million of persons might, perhaps, cost 12,000,000*l.* sterling; that is

to say, might cost as much as the direct expenditure of THREE MONTHS' WAR; and that an expenditure of 12,000,000*l.* sterling is an evil. But in the first place, it has been demonstrated* that the expense of keeping paupers at home is far greater than that of their removal. It may be necessary to repeat, though it has often been remarked before, that the relief is afforded not only to those individuals who emigrate, but to the much greater number who remain. If there are 450 labourers in a district which requires the full employment and affords the full subsistence of only 400, all, or nearly all, will be in distress, and by the emigration of fifty all will be relieved. And, in the second place, even if the balance of expense were on the side of removing a portion of our surplus population, is no expense beyond that of their mere keep to be feared from their presence? If the present insurrection spread (and it will spread if the peasantry are told, as practically they have been told, that for riot and rebellion three days' imprisonment is the punishment, and a rise of wages the REWARD); if the ravage of the country reacts, as it will react, on the towns; if, when

* See Mr. Wilmot Horton's 'Causes and Remedies of Pauperism,' fourth series.

Hic etiam fatis aperit Cassandra futuris
Ora Dei jussu non unquam creditis Teucris.

trade begins to languish, the master manufacturers, according to their late practice, dismiss their workmen, and the manufacturing workmen, in their turn, destroy machinery; if the foundations, not merely of our wealth, but of our existence, are thus impaired, will twelve millions, or twenty millions, or even a hundred millions sterling represent the loss?

It is true, that if we adopt no preventive measures, if we persist blindly in our course of error, the temporary relief afforded by emigration will come to an end, and the vacuum will, in sixteen or seventeen years, be filled up. But is it certain that we shall not profit by experience? Have we a right, or, rather, are we compelled, to assume, as a link in the argument, that we and our successors must be madmen? If a man has been outrunning his income, is it quite certain that we can do him no good by paying his debts, on the ground that *if he goes on* in the same thoughtless expenditure, he will again be involved as deeply as ever? And even granting that the vacuum will be filled up, will it be nothing to have obtained sixteen years' respite?—to have weathered the existing storm?—to have adjourned the crisis to a period which may be more favourable, and cannot possibly be less so?

We are told that the labourers form the strength

of the country, and that to diminish their number is to incur voluntary feebleness. But does the pauper,—the man whose labour is not worth his subsistence, who consumes more than he produces,—does he add to the strength of the country? When I hear such remarks, I fancy myself standing by the bedside of an apoplectic patient, and hearing the nurse and the friends prohibit the lancet. ‘The blood,’ says one, ‘is the support of life: how can you think of diminishing it in his present state of weakness?’ ‘If you do diminish it,’ cries out another, ‘with his habits of free living, it will be renewed; in a year the vacuum will be filled up.’ But is it impossible that the blood can be in excess? Is it certain that his habits are unchangeable? Shall we let him die now, lest we should have to bleed him again a year hence?

It will be observed, that I have assumed that the paupers are willing to emigrate. That they have been so as yet, is unquestionable: I hope, I had almost said I trust, that they still continue to be so. But if they are allowed to fix the labour they are to give, and the wages they are to receive; if they are to help themselves, while it lasts, from the whole property of the country, it is too much to expect that they will not prefer idleness, riot, and plunder at home, to subsistence,

however ample, to be earned by toil and hardship abroad. But this ~~only shows~~ the danger, the madness of delay. While we are deliberating, or even before we have begun to deliberate, the moment for applying the remedy is passing away.

Hitherto, it has been common to defend every existing practice as agreeable to common sense, in opposition to the visionary schemes of political theorists ; to plead experience in behalf of everything that has long prevailed, and to deprecate new experiments. It is high time that those who profess to venerate experience should now, at length, show that they can learn from it. To what has common prejudice, reigning under the title of common sense, brought us ? Have the practical men who have hitherto administered our system of poor-laws, saved us from being brought to the very brink of ruin ? Or have they suggested any effectual means for stopping our downward career ? Surely common sense, if there be any such thing in the country, will now, at last, bear witness to the truth of Bacon's maxim, that ' he who dreads new remedies, must expect new evils !'

Lincoln's Inn, December 3, 1839.

LECTURE I.

DEFINITION OF HIGH AND LOW WAGES.

THE labourers form the mass of every community. The inquiry into the causes affecting wages is, therefore, the most important branch of political economy. In the following Lectures I propose, first, to explain some ambiguities in the terms high and low wages; secondly, to state the proximate cause which regulates the amount of wages; and, lastly, to expose some prevalent errors respecting that cause; leaving the remoter causes, the causes of the proximate cause, for discussion in a subsequent course.

Wages are the remuneration received by the labourer in recompense for having exerted his faculties of mind and body; and they are termed high or low, in proportion to the extent of that remuneration. That extent has been estimated

by three different measures; and the words high and low wages have, consequently, been used in three different senses.

First. Wages have been termed high or low, according to the amount of *money* earned by the labourer within a given period, without any reference to the commodities which that money would purchase; as when we say that wages have *risen* since the reign of Henry VII., because the labourer now receives 1s. 6d. or 2s. a day, and then received only 4½d.

Secondly. They have been termed high or low, according to the *quantity and quality of the commodities* obtained by the labourer, without any reference to his receipts in money; as when we say that wages have *fallen* since the reign of Henry VII., because the labourer then earned two pecks of wheat a day, and now earns only one.

Thirdly. They have been termed high or low, according to the share or proportion which the labourer receives of the produce of his own labour, without any reference to the total amount of that produce.

The first nomenclature, that which measures

wages simply by their amount in money, is the popular one. The second, that which considers wages simply with reference to the quantity and quality of the commodities received by the labourer, or, to speak more correctly, purchasable with his money wages, was that generally adopted by Adam Smith. The third, that which considers wages as high or low, simply with reference to the labourer's share or proportion of what he produces, was introduced by Mr. Ricardo, and has been continued by many of his followers.

This last use of the words high and low wages has always appeared to me one of the most unfortunate of Mr. Ricardo's many innovations in the language of political economy. In the first place, it has a tendency to withdraw our attention, even when we are considering the subject of wages, from the facts which most influence the labourer's condition. To ascertain whether his wages are high or low, we are desired to inquire, not whether he is well or ill paid,—not whether he is ill or well fed, or clothed, or lodged, or warmed, but simply what proportion of what he produces comes to his share. During the last four or five years, many a hand-weaver has re-

ceived only 8s. 3d. for producing, by a fortnight's exertion, a web, that the capitalist has sold for 8s. 4d. A coal-merchant often pays his men two guineas a week, and charges his employers for their services two guineas and a half. But, according to Mr. Ricardo's nomenclature, the wages of the weaver, at 4s. 1½d. a week, are much higher than those of the coal-heaver at two guineas, since the weaver receives 99 per cent. of the value of his labour, while the coal-heaver had only 80 per cent.

And, even if the nomenclature in question were free from this objection—even if the point on which it endeavours to fix the attention were the most important, instead of being the least important incident to wages, it still would be inconvenient from its obscurity. No writer can hope to be consistent in the use of familiar words in a sense always different from their established meaning, and often directly opposed to it; still less can he hope to be always understood. Even Mr. Ricardo, though he professes to mean by high wages a *great proportion*, has in several places considered them as productive of consequences which would follow only if they signified a *great*

amount. And his followers and opponents have, almost uniformly, supposed those words to mean a great amount. Since the publication of Mr. Ricardo's work, it has been received as an axiom, among the dabblers in political economy, that, according to the established doctrines of the science, high wages and high profits are incompatible; and, therefore, that either the leading doctrines of political economy are false, or the interests of the labourer and the capitalist are always directly opposed to one another. The former opinion has been adopted by the large class who do not attend to what they read; the latter, by the still larger class who do not attend to what they see.

The two other meanings of the words, high and low wages, that which refers to the money, and that which refers to the commodities, received by the labourer, are both equally convenient, if we consider the rate of wages *at the same time and place*; for then they both mean the same thing. At the same time and place, the labourer who receives the highest wages necessarily receives the most commodities. But when we refer to different places, or different times, the words high

or low wages direct the attention to very different subjects, as we understand them to mean more or less in money, or more or less in commodities. The differences which have taken place in the amount of money wages at different times, inform us of scarcely anything but the abundance or scarcity of the precious metals at those times: facts which are seldom of much importance. The differences in the amount of money wages in different places, at the same time, are of much more importance, since they indicate the different values of the labour of different countries in the general market of the world. But even these differences afford no premises, from which the positive condition of the labouring classes, in any country, can be inferred, and but imperfect grounds for estimating their relative condition. The only data which enable us to ascertain the actual situation of the labourers at any given time and place, or their comparative situation at different times and places, are the quantity and quality of the commodities which form their wages, if paid in kind, or are purchaseable with their wages, if paid in money. And as the actual or comparative situation of the labourer is the principal object of

the following inquiry, I shall use the word wages, to express, not the money, but the commodities, which the labourer receives; and I shall consider wages to rise as the quantity or quality of those commodities is increased or improved, and to fall as that quantity or quality is diminished or deteriorated.

It is obvious, too, that the labourer's situation does not depend on the amount which he receives at any one time, but on his average receipts during a given period—during a week, a month, or a year; and that the longer the period taken, the more accurate will be the estimate. Weekly wages have, of course, more tendency to equality than daily ones, and annual than monthly; and, if we could ascertain the amount earned by a man during five, or ten, or twenty years, we should know his situation better than if we confined our attention to a single year. There is, however, so much difficulty in ascertaining the amount of wages during very long periods, that, I think, a single year will be the best that we can take. It comprehends what, in most climates, are very different, summer and winter wages; it comprehends also the period during which the most

important vegetable productions come to maturity in temperate climates, and on that account has generally been adopted by political economists as the average period for which capital is supposed to be advanced.

I should observe that I include, as part of the wages of the married labourer, those of his wife and unemancipated children. To omit them would lead to inaccurate estimates of the comparative situation of the labourers in different countries, or in different occupations. In those employments which are carried on under shelter, and with the assistance of that machinery which affords power, and requires human aid only for its direction, the industry of a woman, or a child, approaches in efficiency to that of a full-grown man. A girl of fourteen can manage a power-loom nearly as well as her father; but where strength, or exposure to the seasons, are required, little can be done by the wife, or the girls, or even by the boys, until they approach the age at which they usually quit their father's house. The earnings of the wife and children of many a Manchester weaver or spinner exceed, or equal, those of himself. Those of the wife and children of an agricultural labourer, or

of a carpenter, or a coal-heaver, are generally unimportant—while the husband, in each case, receives 15s. a week; the weekly income of the one family may be 30s., and that of the other only 17s. or 18s.

It must be admitted, however, that the workman does not retain the whole of this apparent pecuniary advantage. The wife is taken from her household labours, and a part of the increased wages is employed in purchasing what might otherwise be produced at home. The moral inconveniences are still greater. The infant children suffer from the want of maternal attention, and those who are older from the deficiency of religious, moral, and intellectual education, and childish relaxation and amusement. The establishment of infant and Sunday schools, and laws regulating the number of hours during which children may labour, are palliatives of these evils, but they must exist, to a certain degree, whenever the labour of the wife and children is the subject of sale; and, though not, perhaps, strictly within the province of political economy, must never be omitted in any estimate of the causes affecting the welfare of the labouring classes.

The last preliminary point to which I have to call your attention is, the difference between the *rate of wages* and the *price of labour*.

If men were the only labourers, and if every man worked equally hard, and for the same number of hours, during the year, these two expressions would be synonymous. If each man, for instance, worked three hundred days during each year, and ten hours during each day, one-thirtieth part of each man's yearly wages would be the price of an hour's labour. But neither of these propositions is true. The yearly wages of a family often include, as we have seen, the results of the labour of the wife and children. And few things are less uniform than the number of working days during the year, or of working hours during the day, or the degree of exertion undergone during those hours.

The established annual holidays, in Protestant countries, are between fifty and sixty. In many Catholic countries they exceed one hundred. Among the Hindoos, they are said to occupy nearly half the year. But these holidays are confined to a certain portion of the population; the labour of a sailor, or a soldier, or a menial

servant, admits of scarcely any distinction of days, excepted on certain days of the week.

Again, in northern and southern latitudes, the hours of outdoor labour are limited by the duration of light; and in all climates by the weather. When the labourer works under shelter, the daily hours of labour may be uniform throughout the year. And, independently of natural causes, the daily hours of labour vary in different countries, and in different employments in the same country. The daily hours of labour are, perhaps, longer in France than in England, and, certainly, are longer in England than in Hindostan. In Manchester, the manufacturer generally works twelve hours a day; in Birmingham, ten; a London shopman is seldom employed more than eight or nine.

There is still more discrepancy between the exertions made by different labourers in a given period. They are often, indeed, unsusceptible of comparison. There is no common measure of the toils undergone by a miner and a tailor, or of those of a shopman and an ironfounder. And labour which is the same in kind, may vary indefinitely in intensity. Many of the witnesses

examined by the Committee on Artisans and Machinery (Session of 1824) were English manufacturers, who had worked in France. They agree as to the comparative indolence of the French labourer, even during his hours of employment. One of the witnesses, Adam Young, had been two years in one of the best manufactories in Alsace. He is asked, 'Did you find the spinners there as industrious as the spinners in England?' and replies, 'No; a spinner in England will do twice as much as a Frenchman. They get up at four in the morning, and work till ten at night; but our spinners will do as much in six hours as they will in ten.'

'Had you any Frenchmen employed under you?' 'Yes; eight, at two francs a day.'

'What had you a day?' 'Twelve francs.'

'Supposing you had had eight English carders under you, how much more work could you have done?' 'With one Englishman, I could have done more than I did with those eight Frenchmen.'

'It cannot be called work they do: it is only looking at it, and wishing it done.'

'Do the French make their yarn at a greater expense?' 'Yes; though they have their

hands for much less wages than in England. pp. 580, 582.

Even in the same country, and in the same employments, similar inequalities are constantly observed. Every one is aware that much more exertion is undergone by the labourer by task-work than by the day-labourer; by the independent day-labourer than by the pauper; and even by the pauper than by the convict.

It is obvious that the rate of wages is less likely to be uniform than the price of labour; as the amount of wages will be affected, in the first place, by any variations in the price, and, in the second place, by any variations in the amount of the labour exerted.

The average annual wages of labour in England, are three times as high as in Ireland; but, as the labourer in Ireland is said not to do more than one-third of what is done by the labourer in England, the price of labour may, in both countries, be about equal. In England, the labourer by task-work earns much more than the day-labourer; but, as it is certainly as profitable to employ him, the price of his labour cannot be higher. It may be supposed, indeed, that the price of labour is

everywhere, and at all times, the same; and, if there were no disturbing causes,—if all persons knew perfectly well their own interest, and strictly followed it, and there were no difficulties in moving capital and labour from place to place, and from employment to employment,—the price of labour, at the same time, *would* be everywhere the same. But these difficulties occasion the price of labour to vary materially, even at the same time and place; and variations, both in the amount of wages and in the price of labour at different times, and in different places, are occasioned, not only by these causes, but by others which will be considered in a subsequent course.

These variations affect very differently the labourer and his employer. The employer is interested in keeping down the price of labour; but while that price remains the same, while at a given expense he gets a given amount of work done, his situation remains unaltered. If a farmer can get a field trenched for 12*l*. it is indifferent to him whether he pays the whole of that sum to three capital workmen, or to four ordinary ones. The three would receive higher wages than the four, but as they would do proportionably

more work, their labour would come just as cheap. If the three could be hired at $\$l. 10s.$ a piece, while the four required $\$l.$ a piece, though the wages of the three would be higher, the price of the work done by them would be lower.

It is true that the causes which raise the amount of the labourer's wages, often raise the rate of the capitalist's profits. If, by increased industry, one man performs the work of two, both the amount of wages and the rate of profits will generally be raised. But the rate of profit will be raised, not by the rise of wages, but in consequence of the additional supply of labour having diminished its price, or having diminished the period for which it had previously been necessary to advance that price.

The labourer, on the other hand, is principally interested in the amount of wages. The amount of his wages being given, it is certainly his interest that the price of his labour should be high, for on that depends the degree of exertion imposed on him. But if the amount of his wages be low, he must be comparatively poor, if that amount be high, he must be comparatively rich, whatever be his remuneration for each specific act of exertion. In the one case he will have leisure and want,--

in the other, toil and abundance. I am far from thinking that the evils of severe and incessant labour, or the benefits of a certain degree of leisure, ought to be left out in any estimate of happiness. But it is not with happiness, but with wealth, that I am concerned as a political economist; and I am not only justified in omitting, but, perhaps, am bound to omit, all considerations which have no influence on wealth. In fact, however, wealth and happiness are very seldom opposed. Nature, when she imposed on man the necessity of labour, tempered his repugnance to it by making long-continued inactivity painful, and by strongly associating with exertion the idea of its reward. The poor and half-employed Irish labourer, or the still poorer and less industrious savage, is as inferior in happiness as he is in income to the hard-worked English artisan. The Englishman's industry may sometimes be excessive, his desire to better his condition may sometimes drive him on toils productive of disease, ill recompensed by the increase of his wages, but that such is not generally the case may be proved by comparing the present duration of life in England with its former duration, or with

its duration in other countries." It is generally admitted, that during the last fifty years a marked increase has taken place in the industry of our manufacturing population, and that they are now the hardest working labourers in the world. But during the whole of that period the average duration of their lives has been constantly increasing, and appears still to increase; and notwithstanding the apparent unhealthiness of many of their occupations, notwithstanding the atmosphere of smoke and steam in which they labour for seventy-two hours a week, they enjoy longer life than the lightly-toiled inhabitants of the most favoured soils and climates. The average mortality among savage nations is the greatest that is known. In the continent of Europe it is about one in thirty-four. In England, about a century ago, when more than half of our population was agricultural, it was supposed to be one in thirty; fifty years ago it was calculated at one in forty; thirty years ago at one in forty-seven; twenty years ago at one in fifty-two. Now, when two-thirds of our labourers are manufacturers, and more than one-third dwell in cities, it is estimated at one in fifty-eight.

LECTURE II.

POPULAR ERRORS ON THE CAUSES AFFECTING WAGES.

HAVING in the last Lecture marked the distinction which really exists between the price of labour and the amount of wages, I shall for the future consider every labouring family as consisting of the same number of persons, and exerting the same degree of industry. On that supposition, the distinction between the price of labour and the amount of wages will be at an end; or rather, the only distinction will be, that the former expression designates the remuneration for each specific exertion: the latter, the aggregata of all those separate remunerations, as summed up at the end of each year. And the question to be answered will be, what are the causes which decide what in any given country, and at any given period, shall be the quantity and quality of the commodities obtained by a labouring family during a year?

The proximate cause appears to me to be clear. The quantity and quality of the commodities obtained by each labouring family during a year, must depend on the quantity and quality of the commodities directly or indirectly appropriated during the year to the use of the labouring population, compared with the number of labouring families (including under that term all those who depend on their own labour for subsistence) ; or, to speak more concisely, on the extent of the fund for the maintenance of labourers, compared with the number of labourers to be maintained. This proposition is so nearly self-evident, that if political economy were a new science, I should assume it without further remark. But I must warn you, that this proposition is inconsistent with opinions which are entitled to consideration, some from the number, and others from the authority of those who maintain them.

First. It is inconsistent with the doctrine, that the rate of wages depends on the proportion which the number of labourers bears to the amount of *capital* in a country. The word *capital* has been used in so many senses, that it is difficult to

state this doctrine precisely; but I know of no definition of that term which will not include many things that are not used by the labouring classes; and if my proposition be correct, no increase or diminution of *these* things can directly affect wages. If a foreign merchant were to come to settle in this country, and bring with him a cargo of raw and manufactured silk, lace, and diamonds, that cargo would increase the capital of the country; silks, lace, and diamonds, would become more abundant, and the enjoyments of those who use them would be increased; but the enjoyments of the labourers would not be directly increased: indirectly, and consequentially, they might be increased. The silk might be re-exported in a manufactured state, and commodities for the use of labourers imported in return; and then, and not till then, wages would rise; but that rise would be occasioned not by the first addition to the capital of the country, which was made in the form of silk, but by the substituted addition made in the form of commodities used by the labourer.

Secondly. It is inconsistent with the doctrine, that wages depend on the proportion borne by

now the number of labourers to the *revenue* of the society of which they are members. In the example last suggested, of the introduction of a new supply of lace or diamonds, the *revenues* of those who use lace or diamonds would be increased; but as wages are not spent on those articles, *they* would remain unaltered. It is possible, indeed, to state cases in which the revenue of a large portion of a community might be increased, and yet the wages of the labourers might fall without an increase of their numbers. I will suppose the principal trade of Ireland to be the raising produce for the English market; and that for every two hundred acres ten families were employed in raising on half the land their own subsistence, and on the remainder corn and other exportable crops requiring equal labour. Under such circumstances, if a demand should arise in the English market for cattle, butchers-meat, and wool, instead of corn, it would be the interest of the Irish landlords and farmers to convert their estates from arable into pasture. Instead of ten families for every two hundred acres, two might be sufficient: one to raise the subsistence of the two, and the other to tend the cattle and sheep.

The revenue of the landlords and the farmers would be increased, but a large portion of the labourers would be thrown out of employment; a large portion of the land formerly employed in producing commodities for their use would be devoted to the production of commodities for the use of England; and the fund for the maintenance of Irish labour would fall, notwithstanding the increase of the revenue of the landlords and farmers.

Thirdly. It is inconsistent with the prevalent opinion, that the non-residence of landlords, funded proprietors, mortgagees, and other unproductive consumers, can be detrimental to the labouring inhabitants of a country *that does not export raw produce.*

In a country which exports raw produce, wages may be lowered by such non-residence. If an Irish landlord resides on his estate, he requires the services of certain persons who must also be resident there to minister to his daily wants. He must have servants, gardeners, and perhaps gamekeepers. If he build a house, he must employ resident masons and carpenters; part of his

furniture he may import, but the greater part of it must be made in his neighbourhood; a portion of his land, or, what comes to the same thing, a portion of his rent, must be employed in producing food, clothing, and shelter for all these persons, and for those who produce that food, clothing, and shelter. If he were to remove to England, all these wants would be supplied by Englishmen. The land and capital which was formerly employed in providing the maintenance of Irish labourers, would be employed in producing corn and cattle to be exported to England to provide the subsistence of English labourers. The whole quantity of commodities appropriated to the use of Irish labourers would be diminished; and that appropriated to the use of English labourers increased, and wages would, consequently, rise in England, and fall in Ireland.

It is true that these effects would not be co-extensive with the landlord's income. While, in Ireland, he must have consumed many foreign commodities. He must have purchased tea, wine, and sugar, and other things which the climate and the manufactures of Ireland do not afford, and he must have paid for them by sending corn

and cattle to England. It is true, also, that while in Ireland he probably employed a portion of his land and of his rents for other purposes, from which the labouring population received no benefit, as a deer park, or a pleasure garden, or in the maintenance of horses or hounds. On his removal that portion of his land which was a park would be employed, partly in producing exportable commodities, and partly in producing subsistence for its cultivators; and that portion which fed horses for his use might be employed in feeding horses for exportation. The first of these alterations would do good; the second could do no harm. Nor must we forget that, through the cheapness of conveyance between England and Ireland, a portion, or perhaps all, of those whom he employed in Ireland might follow him to England; and, in that case, wages in neither country would be affected. The fund for the maintenance of labourers in Ireland, and the number of labourers to be maintained, would both be equally diminished, and the fund for the maintenance of labourers in England, and the number of labourers to be maintained, would both be equally increased.

But after making all these deductions, and they are very great, from the supposed effect of the absenteeism of the Irish proprietors on the labouring classes in Ireland, I cannot agree with Mr. McCulloch that it is immaterial. I cannot but join in the general opinion that their return, though it would not affect the prosperity of the British empire, considered as a whole, would be immediately beneficial to Ireland, though perhaps too much importance is attached to it.

In Mr. McCulloch's celebrated examination before the Committee on the state of Ireland, (4th Report, 814, Sess. 1825,) he was asked, 'Supposing the largest export of Ireland were in live cattle, and that a considerable portion of the rent had been remitted in that manner, does not such a mode of producing the means of paying rent contribute less to the improvement of the poor than any extensive employment of them in labour would produce?'—He replies, 'Unless the means of paying rent are changed when the landlord goes home, his residence can have no effect whatever.'

'Would not,' he is asked, 'the population of the country be benefited by the expenditure

‘ among them of a certain portion of the rent
‘ which (if he had been absent) has (would have)
‘ been remitted (to England)?’ ‘ No,’ he replies,
‘ I do not see how it could be benefited in the
‘ least. If you have a certain value laid out
‘ against Irish commodities in the one case, you
‘ will have a certain value laid out against them
‘ in the other. The cattle are either exported to
‘ England, or they stay at home. If they are ex-
‘ ported, the landlord will obtain an equivalent
‘ for them in English commodities; if they are
‘ not, he will obtain an equivalent for them in Irish
‘ commodities; so that in both cases the landlord
‘ lives on the cattle, or on the value of the cattle :
‘ and whether he lives in Ireland or in England,
‘ there is obviously just the very same amount of
‘ commodities for the people of Ireland to subsist
‘ upon.’

This reasoning assumes that the landlord, while resident in Ireland, himself personally devours all the cattle produced on his estates; for on no other supposition can there be the very same amount of commodities for the people of Ireland to subsist upon, whether their cattle are retained in Ireland or exported.

10 But when a country does *not* export raw produce, the consequences of absenteeism are very different. Those who derive their incomes from such a country cannot possibly spend them abroad until they have previously spent them at home.

11 When a Leicestershire landlord is resident on his estate, he employs a certain portion of his land, or, what is the same, of his rent, in maintaining the persons who provide for him those commodities and services, which must be produced on the spot where they are consumed. If he should remove to London, he would want the services of Londoners, and the produce of land and capital which previously maintained labourers resident in Leicester, would be sent away to maintain labourers resident in London. The labourers would probably follow, and wages in Leicestershire and London would *then* be unaltered; but until they did so wages would rise in the one district and fall in the other. At the same time, as the rise and fall would compensate one another, as the fund for the maintenance of labour, and the number of labourers to be maintained, would each remain the same, the same amount of wages would be distributed among the same number of

persons, though not precisely in the same proportion as before.

If he were now to remove to Paris, a new distribution must take place. As the price of raw produce is lower in France than in England, and the difference in habits and language between the two countries prevents the transfer of labourers from the one to the other, neither the labourers nor the produce of his estates could follow him. He must employ French labourers, and he must convert his share of the produce of his estates, or, what is the same thing, his rent, into some exportable form in order to receive it abroad. It may be supposed that he would receive his rent in money. Even if he were to do so, the English labourers would not be injured, for, as they do not eat or drink money, provided the same amount of commodities remained for their use, they would be unaffected by the export of money. But it is impossible that he could receive his rent in money unless he chose to suffer a gratuitous loss. The rate of exchange between London and Paris is generally rather in favour of London, and scarcely ever so deviates from par between any two countries, as to cover the expense of transferring the

precious metals from the one to the other, excepting between the countries which do and those which do not possess mines. The remittances from England to France must be sent, therefore, in the form of manufactures, either directly to France, or to some country with which France has commercial relations. And how would these manufactures be obtained? Of course in exchange for the landlord's rent. His share of the produce of his estates would now go to Birmingham or Sheffield, or Manchester or London, to maintain the labourers employed in producing manufactures, to be sent and sold abroad for his profit. An English absentee employs his income precisely as if he were to remain at home and consume nothing but hardware and cottons. Instead of the services of gardeners and servants, upholsterers and tailors, he purchases those of spinners and weavers and cutlers. In either case his income is employed in maintaining labourers, though the class of labourers is different; and in either case, the whole fund for the maintenance of labourers, and the number of labourers to be maintained, remaining unaltered, the wages of labour would not be affected.

But, in fact, that fund would be rather increased

in quantity and rather improved in quality. It would be increased, because land previously employed as a park, or in feeding dogs and horses, or hares and pheasants, would now be employed in producing food or clothing for men. It would be improved, because the increased production of manufactured commodities would occasion an increased division of labour, the use of more and better machinery, and the other improvements which we long ago ascertained to be its necessary accompaniments.

One disadvantage, and one only, it appears to me, would be the result. The absentee in a great measure escapes domestic taxation. I say in a great measure, because he still remains liable, if a proprietor of houses or of land, to those taxes which fall upon rent: he pays, too, a part of the taxes on the materials of manufactures; and if it were our policy to tax income or exported commodities, he might be forced to pay to the public revenue even more than his former proportion. But, under our present system, which throws the bulk of taxation on commodities produced for internal consumption, he receives the greater part of his revenue without deduction, and instead of contributing to the support of the British Govern-

ment, contributes to support that of France or Italy. This inconvenience, perhaps, about balances the advantages which I have just mentioned, and leaves a community which exports only manufactures, neither impoverished nor enriched by the residence abroad of its unproductive members.

I ought, perhaps, on this occasion again to remind you, that it is to wealth and poverty that my attention is confined. The *moral* effects of absenteeism must never be neglected by a writer who inquires into the causes which promote the *happiness* of nations, but are without the province of a political economist. Nor do I regret that they are so, for they form a subject on which it is far more difficult to obtain satisfactory results. In one respect, indeed, the moral question is the more simple, as it is not complicated by the consideration whether raw produce or manufactures are exported, or whether the non-resident landlord is abroad, or in some town within his own country. If his presence is to be morally beneficial, it must be his presence on his own estate. To the inhabitants of that estate, the place to which he absents himself is indifferent. Adam Smith believed his

residence to be morally injurious. The residence of a court, he observes (book ii. chap. 3), 'in general makes the inferior sort of people dissolute and poor. The inhabitants of a large village, after having made considerable progress in manufactures, have become idle in consequence of a great lord having taken up his residence in their neighbourhood.' And Mr. M'Culloch, whose fidelity and intelligence as an observer may be relied on, states, as the result of his own experience, that in Scotland the estates of absentees are almost always the best managed. Much, of course, depends on individual character; but I am inclined to believe, that in general the presence of men of large fortune is morally detrimental, and that of men of moderate fortune morally beneficial, to their immediate neighbourhood. The habits of expense and indulgence which, in different gradations, prevail among all the members of a great establishment, are mischievous as examples, and perhaps still more so as sources of repining and discontent. The drawing-room and stable do harm to the neighbouring gentry, and the house-keeper's-room and servants'-hall to their inferiors. But families of moderate income, including under

that term incomes between 500*l.* and 2000*l.* a year, appear to be placed in the station most favourable to the acquisition of moral and intellectual excellence, and to its diffusion among their associates and dependents. I have no doubt that a well-regulated gentleman's family, removing the prejudices, soothing the quarrels, directing and stimulating the exertions, and awarding praise or blame to the conduct of the villagers round them, is among the most efficient means by which the character of a neighbourhood can be improved. It is the happiness of this country, that almost every parish has a resident fitted by fortune and education for these services; and bound, not merely by feelings of propriety, but as a matter of express and professional duty, to their performance. The dispersion throughout the country of so many thousand clerical families, each acting in its own district as a small centre of civilization, is an advantage to which, perhaps, we have been too long accustomed to be able to appreciate its extent.

Still, however, I think that even the moral effects of absenteeism have been exaggerated. Those who declaim against the 12,000 English

families supposed to be resident abroad, seem to forget, that not one-half, probably not one-quarter, of them, if they were to return, would dwell any where but in towns, where their influence would be wasted, or probably not even exerted. . . . What does it signify to the Connaught, or Northumbria, or Devonshire peasant, whether his landlord lives in Dublin, or London, or Cheltenham, or Rome? And even of those who would reside in the country, how many would exercise that influence beneficially? How many would be fox-hunters or game-preservers; or surround themselves with dependents whose example would more than compensate for the virtues of their masters? Nothing can be more rash than to predict that good would be the result of causes which are quite as capable of producing evil.

The economical effects have been still more generally misunderstood; and I have often been tempted to wonder that doctrines so clear as those which I have been submitting to you, should be admitted with reluctance even by those who feel the proofs to be unanswerable, and should be rejected at once by others as involving a paradox too monstrous to be worth examination.

Much of this, probably, arises from a confusion of the economical with the moral part of the question. Many writers and readers of political economy forget that wealth only is within the province of that science; and that the clearest proof that absenteeism diminishes the virtue or the happiness of the remaining members of a community is no answer to arguments which aim only at proving that it does not diminish their wealth.

Another source of error arises from the circumstance, that when the landlord is present the gain is concentrated, and the loss diffused; when he is absent, the gain is diffused, and the loss concentrated. When he quits his estate, we can put our finger on the village tradesman and labourer who lose his custom and employment. We cannot trace the increase of custom and employment that is consequently scattered among millions of manufacturers. When he returns, we see that the expenditure of 2000*l.* or 3000*l.* a year in a small circle gives wealth and spirit to its inhabitants. We do not see, however, clearly we may infer it, that so much the less is expended in Manchester, Birmingham, or Leeds. The inhabitants of his village attribute their gain and their loss to

its causes, and their complaints and acknowledgments are loud in proportion to the degree in which they feel their interests to be affected. No single manufacturer is conscious that the average annual export of more than forty millions sterling has been increased or diminished to the amount of two or three thousand pounds. And even if aware of that increase or diminution, he would not attribute it to the residence in Yorkshire or Paris of a given individual, of whose existence he probably is not aware. When to obvious and palpable effects nothing is to be opposed but inferences deduced by a long, though perfectly demonstrative reasoning process, no one can doubt which will prevail, both with the uneducated and the educated vulgar.

Many persons, also, are perplexed by the consideration, that all the commodities which are exported as remittances of the absentee's income are exports for which no return is obtained; that they are as much lost to this country as if they were a tribute paid to a foreign state, or even as if they were thrown periodically into the sea. This is unquestionably true; but it must be recollected, that whatever is unproductively consumed, is, by

the very terms of the proposition, destroyed, without producing any return. The only difference between the two cases is, that the resident landlord performs that destruction here; the absentee performs it abroad. In either case, he first purchases the services of those who produce the things which he, for his benefit, not for theirs, is to consume. If he stays here, he pays a man to brush a coat, or clean a pair of boots, or arrange a table—all which an hour after are in their former condition. When abroad, he pays an equal sum for the production of needles, or calicoes, which are sent abroad, and equally consumed without further benefit to those who produced them. The income of unproductive consumers, however paid, is a tribute; and whether they enjoy it here or elsewhere, is their own concern. We know that a man cannot eat his cake and have it; and it is equally true that he cannot sell a cake to another and keep it for himself.

The last cause to which I attribute the slow progress of correct opinions on this subject, is their distastefulness to the most influential members of the community. Nothing can be more flattering to landlords, annuitants, mortgagees,

and fundholders, than to be told that their residence is of vital importance to the country. Nothing can be more humiliating than to be assured that it is utterly immaterial to the rest of the community whether they live in Brighton, or London, or Paris. Those who are aware how much our judgment, even in matters of science, is influenced by our wishes, will not be surprised at the prejudices against a doctrine which forbids the bulk of the educated class to believe that they are benefactors to their country by the mere fact of residing within its shores.

I may appear, perhaps, to have dwelt too much on a single subject ; but no prevalent error can be effectually exposed until its prevalence has been accounted for. And these are errors which are to be heard in every society, and often from those whose general views in political economy are correct. They may be called harmless errors, but no error is, in fact, harmless ; and when there is so much in our habits that really requires alteration, we may lose sight of the real and the remediable causes of evil, while our attention is misdirected to absenteeism.

LECTURE III.

POPULAR ERRORS ON THE CAUSES AFFECTING WAGES, (*concluded.*)

I STATED in the last Lecture, that the quantity and quality of the commodities obtained by each labouring family during the year, must depend on the quantity and quality of the commodities directly or indirectly appropriated during the year to the use of the labouring population, compared with the number of labouring families : or, to speak more concisely, on the extent of the fund for the maintenance of labourers, compared with the number of labourers to be maintained ; and I observed, that this proposition is inconsistent with many opinions entitled to consideration. Three of these opinions I then examined ; in the present Lecture I shall consider the remainder.

Fourthly. It is inconsistent with the doctrine

that the general rate of wages can, except in two cases, be diminished by the introduction of machinery.

The two cases in which the introduction of machinery can produce such an effect, are : first, when labour is employed in the construction of machinery, which labour would otherwise have been employed in the production of commodities for the use of labourers ; and, secondly, when the machine itself consumes commodities which would otherwise have been consumed by labourers, and that to a greater extent than it produces them.

The first case is put by Mr. Ricardo, in his chapter on Machinery ; but in so detailed a form, that, instead of reading it, I will extract its substance, with a slight variation of the terms. He supposes a capitalist to carry on the business of a manufacturer of commodities for the use of labourers ; or, to use a more concise expression, the business of a manufacturer of wages. He supposes him to have been in the habit of commencing every year with a capital consisting of wages for a certain number of labourers, which we call twenty-six, and of employing that capital in hiring twenty

men, to reproduce during the year wages for the whole twenty-six, and six to produce commodities for himself. He now supposes him to employ ten of his men during a year in producing, not wages, but a machine, which, with the aid of seven men to keep it in repair and work it, will produce every year wages for thirteen men. At the end of the year the capitalist's situation would be unaltered; he would have wages for thirteen men, the produce of the labour of his other ten men during the year—and his machine, also (the produce of the labour of ten men during the year, and therefore of equal value. And his situation would *continue* unaltered. Every year his machine would produce wages for thirteen men, of whom seven must be employed in repairing and working it, and six might as before be employed for the benefit of the capitalist. But we have seen that, during the year in which the machine was constructed only ten men were employed in producing wages instead of twenty, and consequently that wages were produced for only thirteen men, instead of for twenty-six. At the end of that year, therefore, the fund for the maintenance of labour was diminished, and wages must, consequently,

have fallen. It is of great importance to recollect, that the only reason for this fall was the diminution of the annual production. The twenty men produced wages for twenty-six men: the machine produces wages for only thirteen. The vulgar error on this subject supposes the evil to arise not from its true cause, the expense of constructing the machine, but from the productive powers of that machine. So far is this from being true, that those productive powers are the specific benefit which is to be set against the evil of its expensiveness. If, instead of wages for thirteen men, the machine could produce wages for thirty, its use, as soon as it came into operation, would have increased, instead of diminishing the fund for the maintenance of labour. The same effect would have been produced, if the machine could have been obtained without expense; or if the capitalist, instead of building it out of his capital, had built it out of his profits—if, instead of withdrawing ten men for a year from the production of wages, he had employed in its construction, during two years, five of the men whom he is supposed to have employed in producing commodities for his own use. In either case, the additional produce obtained

from the machine would have been an additional fund for the maintenance of labour; and wages must, according to my elementary proposition, have risen.*

I have thought it necessary to state this possible evil as a part of the theory of machinery, but I am far from attaching any practical importance to it. I do not believe that there exists upon record a single instance in which the whole annual produce has been diminished by the use of *indefinite* machinery. Partly in consequence of the expense of constructing the greater part of machinery being defrayed out of profits or rent, and partly in consequence of the great proportion which the productive powers of machinery bear to the expense of its construction, its use is uniformly accompanied by an enormous *increase* of production. The annual consumption of cotton wool in this country, before the introduction of the spinning jenny, did not amount to 100,000 lbs.; it now amounts to 190,000,000. Since the power-loom came into use, the quantity of cotton cloth manufac-

* And yet it appears now to be thought, that wages may be raised by the destruction or (what is the same in immediate effect) the disuse of machines already constructed.

tured for home consumption has increased, from 227,000,000 of yards (the average annual amount between the years 1816 and 1820), to 400,000,000 of yards (the annual average from 1824 to 1828 (Huskisson's Speech, 1830)). The number of copies of books extant at any one period before the invention of the printing-press, was probably smaller than that which is now produced in a single day. Mr. Ricardo's proposition, therefore (Princ. 474), that the use of machinery frequently diminishes the quantity of the gross produce of a country, is erroneous, so far as it depends on the case which he has supposed, and of which I have stated the substance.

The other exception, that where the machine itself consumes commodities which would otherwise have been consumed by labourers, and that to a greater extent than it produces them, applies only to the case of horses and working cattle, which may be termed animated machines. We will suppose a farmer to employ on his farm twenty men, who produce annually their own subsistence, and that of six other men producing commodities for the use of their master. If five horses, consuming, we will say, as much as eight men, could do the work

of ten, it would be worth the farmer's while to substitute them for eight of his men, as he would be able to increase the number of persons who work for his own benefit from six to eight. But after deducting the subsistence of the horses, the fund for the maintenance of labourers would be reduced from wages for twenty-six men to wages for eighteen. I cannot refuse to admit that such cases may exist, or to deplore the misery that must accompany them. They are, in fact, now occurring in Ireland, and are occasioning much of the distress of that country. They seem, indeed, to be the natural accompaniments of a certain period in the progress of national improvement. In the early stages of society, the rank and even the safety of the landed proprietor is principally determined by the number of his dependents. The best mode of increasing that number is to allow the land, which he does not occupy as his own demesne, to be subdivided into small tenements, each cultivated by one family, and just sufficient for their support. Such tenants can of course pay little rent, but they are enabled by their abundant leisure, and forced by their absolute dependence, to swell the retinue, and aid the political influence, of their landlord in peace, and

to follow his banner in public and private war. Cameron, of Lochiel, whose rental did not exceed 500*l.* a year, carried with him into the rebellion of 1745, 800 men raised from his own tenantry. But in the progress of civilization, as wealth becomes the principal means of distinction and influence, landowners prefer rent to dependents. To obtain rent, that process of cultivation must be employed which will give, not absolutely the greatest amount of produce, but the greatest after deducting the expenses. For this purpose a tract of 500 acres, from which fifty families produced their own subsistence, and produced scarcely anything more, may be converted into one farm, and with the labour of ten families, and as many horses, may produce the subsistence of only thirty families. Fortunately, however, the period at which these alterations take place is generally one of great social improvement; so that, after a short interval, the increased diligence and skill with which labour is applied, occasion an increase of even the gross produce. The fund for the maintenance of labourers now becomes increased from two different sources—partly from the increased efficiency of human labour when aided by that of horses and cattle, and partly from the results of a part of the

human labour set free by the substitution of brutes: [The ultimate consequences of such a change are always beneficial; the change itself must, in general, be accompanied by distress.

But with the exception of these two cases, one of which produces only temporary effects, and the other, though apparently possible, seems never actually to occur, it appears to me clear that the use of machinery must either raise the general rate of wages, or leave it unaltered.

When machinery is applied to the production of commodities which are *not* intended, directly or indirectly, for the use of labourers, it occasions no alteration in the general rate of wages;—I say the *general* rate of wages, because it may diminish the rate of wages in some employments,—a diminution always compensated by a corresponding increase in some others. I was shown at Birmingham a small screw, which, in the manufacture of corkscrews, performed the work of fifty-nine men; with its assistance one man could cut a spiral groove in as many corkscrew shanks as sixty men could have cut in the same time with the tools previously in use. As the use of corkscrews is limited, it is not probable that the demand for them has sufficiently increased to enable the whole

number of labourers previously employed in their manufacture, to remain so employed after such an increase in their productive power. Some of the corkscrew-makers, therefore, must have been thrown out of work, and the rate of wages in that trade probably fell. But as the whole fund for the maintenance of labourers, and the whole number of labourers to be maintained remained unaltered, that fall must have been balanced by a rise somewhere else—a rise which we may trace to its proximate cause, by recollecting that the fall in the price of corkscrews must have left every purchaser of a corkscrew a fund for the purchase of labour, rather larger than he would have possessed if he had paid the former price.

If, however, machinery be applied to the production of any commodity used by the labouring population, the general rate of wages will *rise*. That it cannot fall is clear, on the grounds which I have just stated. If the improvement be great, and the commodity not subject to a corresponding increase of demand, some of the labourers formerly employed in its production will be thrown out of employment, and wages, in that trade, will fall—a fall which, as the whole fund for the maintenance of labour is not diminished, must be

met by a corresponding rise in some other trade. But the fund will be increased by the additional quantity produced of the commodity to which the improvement has been applied : estimated in that commodity, therefore, the general rate of wages, or, in other words, the quantity of commodities obtained by the labouring population, will be increased by the introduction of machinery ; estimated in all others, it will be stationary.

The example taken from the manufacture of corkscrews is as unfavourable to the effects of machinery as can be proposed ; for the use of the commodity is supposed to be unable to keep up with the increased production, and the whole number of labourers employed on it is, consequently, diminished. This, however, is a very rare occurrence. The usual effect of an increase in the facility of producing a commodity is so to increase its consumption as to occasion the employment of more, not less, labour than before.

I have already called your attention to the effects of machinery in the manufacture of cotton and in printing. Each of these trades probably employs ten times as many labourers as it would have employed if spinning jennies and types had

not been invented. Under such circumstances (and they are the usual ones), the benefits of machinery are not alloyed by even partial inconvenience.

Fifthly. Closely connected with this mistake, and occasioned by the same habit of attending only to what is temporary and partial, and neglecting what is permanent and general; of dwelling on the evil that is concentrated, and being insensible of the benefit that is diffused, is the common error of supposing that the general rate of wages can be reduced by the importation of foreign commodities. In fact, the opening of a new market is precisely analogous to the introduction of a new machine, except that it is a machine which it costs nothing to construct, or to keep up. If the foreign commodity be not consumed by the labouring population, its introduction leaves the general rate of wages unaffected; if it be used by them, their wages are raised as estimated in that commodity. If the absurd laws which favour the wines of Portugal to the exclusion of those of France were repealed, more labourers would be employed in producing commodities for

the French market, and lower for the Portuguese. Wages would temporarily fall in the one trade, and rise in the other. The clear benefit would be derived by the drinkers of wine, who, at the same expense, would obtain more and better wine. So if what are called the protecting duties on French silks were removed, fewer labourers would be employed in the direct production of silk, and more in its indirect production, by the production of the cottons, or hardware, with which it would be purchased. The wearers of silk would be the only class ultimately benefited; and, as the labouring population neither wear silk nor drink wine, the general rate of wages would, in both cases, remain unaltered. But if the laws which prohibit our obtaining on the most advantageous terms tea, and sugar, and corn, were altered, that portion of the fund for the maintenance of labour, which consists of corn, sugar, and tea, would be increased. And the general rate of wages, as estimated in the three most important articles of food, would be raised.

Sixthly. The views which I have been endeavouring to explain, are inconsistent with the com-

mon opinion, that the unproductive consumption of landlords and capitalists is beneficial to the labouring classes, because it furnishes them with *employment*. The maintainers of this theory must forget that it is not employment, but food, clothing, shelter, and fuel—in short, the materials of subsistence and comfort, that the labouring classes require. The word ‘employment’ is merely a concise form of designating toil, trouble, exposure, and fatigue. All these, *per se*, are evils, and the less of them that is required for obtaining a given amount of subsistence and comfort,—or, in other words, the greater the facility of obtaining that given amount, the better, *ceteris paribus*, will be the condition of the labouring classes; indeed, of all classes in the community. What occasions the prosperity of a colony? Not the dearthness of subsistence, but its cheapness; not the difficulty of obtaining food, clothing, shelter, and fuel, but the facility. Now how can unproductive consumption increase this facility? How can the fund from which all are to be maintained be augmented by the destruction of a portion of it? If the higher orders were to return to the customs of a century ago, and cover their coats with gold

lace, they might enjoy their own finery; but how would that benefit their inferiors? The theory which I am considering, replies that they would be benefited by being *employed* in making the lace. It is true that a coat, instead of costing 5*l.*, would cost 55*l.* But what becomes now of the extra 50*l.*? for it cannot be said that because it is not spent on a laced coat, it does not exist. If a landlord with 10,000*l.* a year spends it unproductively, he pays it away to those who furnish the embellishments of his house and grounds, and supply his table, his equipage, and his clothes. Suppose him now to abandon all unproductive expenditure, to confine himself to bare necessities, and to earn them by his own labour, the first consequence would be, that those among whom he previously spent his 10,000*l.* a year would lose him as an employer; and beyond this the theory in question sees nothing. But what would he do with the 10,000*l.* which he would still annually receive? No one supposes that he would lock it up in a box, or bury it in his garden. Whether productively or unproductively, it still must be spent. If spent by himself, as by the supposition it would be spent productively, it must increase,

and every year still further increase the whole fund applicable to the use of the rest of the community. If not spent by himself, it must be lent to some other person, and by that person it must be spent productively or unproductively. He might, perhaps, buy with it property in the English funds; but what becomes of it in the hands of the person who sells to him that funded property? He might buy with it French rentes; but in what form would the price of those rentes go to Paris? In the form, as we have seen, of manufactured commodities. *Quæcunque via data*, every man must spend his income; and the less he spends on himself, the more remains for the rest of the world.

The last theory, inconsistent with my own views, to which I shall call your attention, is that proposed by Mr. Ricardo in the following passage:—

‘The labouring class have no small interest in the manner in which the net income of the country is expended, although it should, in all cases, be expended for the gratification and enjoyment of those who are fairly entitled to it.’

‘If a landlord, or a capitalist, expends his

'revenue in the manner of an ancient baron, in
 'the support of a great number of retainers, or
 'menial servants, he will give employment to
 'much more labour than if he expended it on fine
 'clothes or costly furniture.
 'In both cases the net revenue would be the
 'same, and so would be the gross revenue, but
 'the former would be realized in different com-
 'modities. If my revenue were 10,000*l*, the same
 'quantity nearly of productive labour would be
 'employed, whether I realized it in fine clothes
 'and costly furniture, &c. &c., or in a quantity of
 'food and clothing of the same value. If, how-
 'ever, I realized my revenue in the first set of
 'commodities, no more labour would be conse-
 'quently employed. I should enjoy my furniture
 'and my clothes, and there would be an end of
 'them; but if I realized my revenue in food and
 'clothing, and my desire was to employ menial
 'servants, all those whom I could so employ with
 'my revenue of 10,000*l*., or with the food and
 'clothing which it would purchase, would be to
 'be added to the former demand for labourers,
 'and this addition would take place only because
 'I chose this mode of expending my revenue. As

the labourers, then, are interested in the demand for labour, they must naturally desire that as much as possible should be diverted from expenditure on luxuries, to be expended in the support of menial servants. In the same manner a country engaged in war, and which is under the necessity of maintaining large fleets and armies, employs a great many more men than will be employed when the war terminates, and the annual expenses which it brings with it cease.

‘ If I were not called upon for a tax of 500*l*. during the war, which is expended on men in the situations of soldiers and sailors, I might probably spend that portion of my income on furniture, clothes, books, &c. &c.; and whether it was expended in the one way or the other, there would be the same quantity of labour employed in production; for the food and clothing of the soldier and sailor would require the same amount of industry to produce them as the more luxurious commodities; but, in the case of war, there would be the additional demand for men as soldiers and sailors; and, consequently, a war which is supported out of the revenue, and not

from the capital of a country, is favourable to an increase of population.

"At the termination of the war, when part of my revenue reverts to me, and is employed as before in the purchase of wine, furniture, or other luxuries, the population which it before supported, and which the war called into existence, will become redundant, and by its effect on the rest of the population, and its competition with it for employment, will sink the value of wages, and very materially deteriorate the condition of the labouring classes*."

Mr. Ricardo's theory is, that it is more beneficial to the labouring classes to be employed in the production of services than in the production of commodities; that it is better for them to be employed in standing behind chairs than in making chairs; as soldiers or sailors than as manufacturers. Now as it is clear that the whole quantity of commodities provided for the use of labourers is not increased by the conversion of an artisan into a footman or a soldier, either Mr. Ricardo must be wrong, or my elementary proposition is false.

* Principles, &c., p. 475.

Mr. Ricardo seems to have been led to his conclusions by observing that the wages of servants, sailors, and soldiers are principally paid in kind—those of artisans in money. He correctly states, that if a man with 10,000*l.* a year spends his income in the purchase of commodities for his own use, he retains, after having made those purchases, no further fund for the maintenance of labour; but that if he spends it in the purchase of commodities to be employed in maintaining menial servants, he has, in those purchased commodities, a new fund with which he can maintain a certain number of menial servants. It appeared to him, therefore, that the landlord would, in the latter case, be able to spend his income twice over; to subsist twice as many persons as before. It did not occur to him that the landlord, by purchasing himself the subsistence of his servants, merely does for them what they would be able to do better for themselves; that, instead of spending his own income twice over, he merely takes on himself the business of spending theirs for them*;

* He did not perceive that all that the landlord spends in purchasing the subsistence and clothing of his servants is so much deducted from what he would otherwise have to pay them in money.

and that if he were to give to his servants the value of their whole subsistence in money, the whole body of labourers would be just as well maintained as in the supposed case of his purchasing their subsistence, and then giving it to them in exchange for their services. No one would maintain that if it were the practice in this country, as it is in India, to give to servants board wages, the demand for labour would be lessened; or that if it were the practice, as it is in semi-barbarous countries, to maintain servants to produce within their masters' walls the commodities which we are accustomed to purchase from shops, the demand for labour would be increased. Still less could it be maintained, that if those servants, instead of producing commodities, were employed in following their master's person, or mounting guard before his door, such a change would create an additional demand for men, and be favourable to an increase of population.

So far am I from concurring in Mr. Ricardo's opinion, that it is the interest of the labourers that revenue should be spent rather on services than on commodities, that I believe their interest

to be precisely opposite. In the first place, the labourer can generally manage better his own income than it can be managed for him by his master. If a domestic servant could earn as wages the whole sum which he costs his master, even if he were to spend it as he received it, he would probably spend it with more enjoyment. Secondly, the income spent on services is spent in the purchase of what perishes at the instant of its creation; that spent on commodities often leaves results which, when their first purchaser has done with them, are serviceable to others. In this country the poor are, to a great extent, clothed with garments originally provided for their superiors. In all the better class of cottages may be found articles of furniture which never could have been made for their present possessors. A large portion of the commodities which now contribute to the comfort of the labouring classes would never have existed, if it had been the fashion in this country, during the last fifty years, to prefer retinue and attendance to durable commodities. And, thirdly, the income employed on commodities is favourable to the creation of both material and immaterial capital; that employed on services

is not so.

is not. The duties of a servant are so easily learned, that he can scarcely be termed a skilled labourer; his accumulations are small in amount, and seldom turned to much advantage. The artisan learns a trade, in which every year adds to his skill, and is taught mechanical and chemical processes, often susceptible of indefinite improvement, and in which a single invention may raise the author to wealth, and diffuse prosperity over a whole district, or even a whole nation. An industrious artisan can often save a large portion of his income, and invest it with great and immediate profit. He purchases with his savings a small stock of tools and materials, and by the vigilance and activity which can be applied only to a small capital, renders every portion of it efficient. The ancestors, and not the remote ancestors, of some of our richest and our proudest families, the authors of some of our most valuable discoveries, were common mechanics. What menial servant has in this country, and in modern times, been a public benefactor, or even raised himself to affluence? Both history and observation show that those countries in which expenditure is chiefly employed in the purchase of services are poor, and those in which it is employed on commodities are rich.

Mr. Ricardo's theory as to the effects of war is still more strikingly erroneous. It is, in the first place, open to all the objections which I have already opposed to his views respecting menial servants. The revenue which is employed in maintaining soldiers and sailors would, even if unproductively consumed, maintain at least an equal number of servants and artisans ; and that portion of it which would have been employed in the maintenance of artisans would (as we have seen) have been far more beneficially employed. The demand for soldiers and sailors is not, as he terms it, an additional, it is merely a substituted demand. But a great part of that revenue would have been productively consumed. Instead of employing some labourers in converting suburbs into fortifications, and forests into navies, to perish by dry rot in harbour, or by exposure at sea, and others in walking the deck and parading on the rampart, it would have employed them in adding more and more every year to the fund from which their subsistence is derived. War is mischievous to every class in the community ; but to none is it such a curse as to the labourers.

THE END.

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THREE LECTURES

ON

THE COST OF

OBTAINING MONEY,

AND ON SOME EFFECTS OF

PRIVATE AND GOVERNMENT PAPER MONEY;

DELIVERED BEFORE THE UNIVERSITY OF OXFORD,
IN TRINITY TERM, 1829.

By **NASSAU WILLIAM SENIOR, A.M.**

LATE FELLOW OF MAG. COL., PROF. OF POLITICAL ECON.

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ADVERTISEMENT.

THE statute by which the Professorship of Political Economy was founded, requires the Professor to publish a Lecture every year. In compliance with this requisition, I have selected, from the course delivered in June 1829, the portion which appeared to me least unfit for separate publication. As a fragment it is necessarily imperfect: my apology for presenting it to the Public is, the necessity imposed on me by the statute.

N. W. SENIOR.

Lincoln's Inn,
January 15, 1830.

LECTURE I.

ON THE COST OF OBTAINING MONEY. 1-36

THE average annual wages of labour in Hindostan are from one pound to two pounds troy of silver a year. In England they are from nine pounds to fifteen pounds troy. In Upper Canada and the United States of America, they are from twelve pounds troy to twenty pounds. Within the same time the American labourer obtains twelve times, and the English labourer nine times as much silver as the Hindoo.

The difference in the cost of obtaining silver, or, in other words, in the wages of labour in silver, in different countries at the same period has attracted attention, though not perhaps so much as it deserves, and various theories have been proposed to account for it.

B

It has been attributed to the different degrees of labour requisite to obtain the necessaries of the labourer. In Hindostan it has been said, he requires little clothing or fuel, and subsists on rice, of which he obtains a sufficient quantity with little exertion. But how then do we account for his wages in North America being twenty-five per cent. higher than they are in England, while the labour requisite to obtain necessaries is not much more than half as great in the former country as in the latter? How do we account for the low amount of wages in silver in China, where the labour necessary to obtain necessaries is proverbially great?

It has been attributed to the different densities of population. In Hindostan and in Ireland, it has been said, labourers multiply so rapidly, that the market is overstocked with labour, and the price falls from the increased supply. But if this were an universal rule, as the population of England has doubled in the last seventy or eighty years, wages ought to have fallen, whereas they have doubled or trebled in that interval. They have kept on increasing in North America during

a still greater increase of population. They are, perhaps, twice as high in Holland as in Sweden, though the population of Holland is ten times as dense as that of Sweden.

It has been attributed to the different pressure of taxation : but taxation is nowhere so light as in America, where wages are the highest. It is, probably, heavier in Hindostan than in England, yet wages are nine or ten times as high in England as in Hindostan. So that it might seem that wages are highest where taxation is lowest : but, on the other hand, taxation is lighter in France than in England, yet wages are lower, and lighter in Ireland than in France, yet wages are lower still. It appears, therefore, that there is no necessary connexion between taxation and wages.

It has been attributed to the different rates of profit. The average rate of profit in England is supposed to be about one-tenth, or about eleven per cent. per annum. In Hindostan and America it is higher. We will suppose it to be one-fifth, or twenty per cent. per annum, which is probably far too high an estimate. This difference would account for the labourer, whose wages have been

advanced for a year, receiving nine-tenths of the value of what he produces in England, and only five-sixths in America and Hindostan, or rather is only a different expression of the same fact, but it does not afford even a plausible solution of the present question.

If the difference in wages were solely occasioned by a difference in the rate of profit, whatever is lost by the labourer would be gained by the capitalist, and the aggregate value in silver of a commodity produced by an equal expenditure of wages and profits, or, in my nomenclature, by an equal sum of labour and abstinence, would be every where the same; and in that case, how could both wages and profits be higher in North America than in England?

Taking North America as the standard, and that the value in silver of the produce of a year's labour of one man, his wages having been advanced for a year, is two hundred and eighty ounces of silver, the value in silver in Hindostan and in England, of the produce of a year's labour of one man, his wages having been advanced for a year, would also be two hundred and eighty

ounces, and as the labourer receives only twenty-four ounces of silver in Hindostan, and only one hundred and eighty ounces in England, the Hindoo capitalist must receive, on the sum advanced by him in payment of wages, a profit of more than two hundred and fifty-six ounces, or above one thousand per cent. per annum; and the English capitalist more than one hundred ounces, being more than sixty per cent. per annum, which we know to have no resemblance to the fact. If my statements and suppositions as to the average wages of labour, and the average profits of capital in England, Hindostan, and America be correct, a commodity unaffected by any monopoly produced by the labour of one man for a year, his wages having been advanced for a year, must sell in Hindostan for from one pound two ounces, to two pounds four ounces of silver; that is, for from twelve to twenty-four ounces as the wages of the labour, and from two to four ounces as the profit of the capital employed. In England such a commodity must sell for from about nine pounds nine ounces, to about sixteen pounds three ounces. In America for from fourteen pounds to twenty-three pounds

four ounces. In other words, the same sum of labour and abstinence, or, in other words, the same sacrifice of ease and of immediate enjoyment, obtains in America twenty-three pounds four ounces ; in England sixteen pounds three ounces ; and in Hindostan two pounds four ounces. And this difference is the phenomenon to which I am calling your attention *.


It has been attributed to the different prices, in silver, of necessaries. Provisions, it is said, are dearer, that is, exchange for more silver in England than in France ; therefore, the labourer must receive more silver to enable him to purchase them. But provisions are cheaper in America than in England, and yet the labourer receives much less silver in England than in America. The productiveness of the worst soil cultivated, the period for which capital is advanced, and the rate of profit being given, it is clear that the average price in silver of corn, must depend on the average wages in silver of labour, not the wages of labour on the price of corn. On my hypothesis, that the services of an English la-

* See note at the end.

bourer for a year, his wages having been advanced for a year, are worth about nine pounds nine ounces of silver, the corn produced by him in a year on the worst land, his wages having been advanced for a year, must be worth nine pounds nine ounces of silver, and cannot be permanently worth either more or less. If his wages fall one-half, the rate of profit remaining the same, the corn must be worth four pounds ten ounces and a half. If they double, it must be worth nineteen pounds six ounces. But in all cases, the productiveness of the worst land cultivated, the period for which wages are advanced, and the rate of profit remaining the same, the average amount in silver of wages must regulate the average value in silver of corn, and not the value in silver of corn the amount of wages. To suppose the contrary, is in fact the vulgar error of putting the cart before the horse, or mistaking the effect for the cause. To use Adam Smith's illustration, "It is not
" because one man keeps a coach while his neigh-
" bour walks a-foot, that the one is rich and the
" other is poor; but because the one is rich he

“ keeps a coach, and because the other is poor he
“ walks a-foot.”

If the population of England should maintain its present rate of advance ; if our numbers should continue to increase at the rate of more than five hundred persons every twenty-four hours, and the absolute prohibition of foreign corn, for which a violent faction is now clamouring, should be conceded, there can be no question that even though wages should not rise, the price of corn would advance. The constantly increasing additional quantity which must be raised to supply an annual addition of fifty thousand families, would be raised at a constantly increasing proportionate expense. According to the theory which I am considering, the wages of the labourer would rise in proportion. For what purpose would they rise? To enable him to consume the same quantity as before, though the whole quantity raised would bear a less proportion than before to the whole number of producers? On such a supposition wages might be ten guineas a day, and corn ten guineas a peck. According to the present administration of our poor-laws,



which allots to each individual a definite quantity of corn, to be given by the landlord as relief when not paid by the employer as wages, the whole amount received by the labourer in the two forms of relief and wages might rise, not indeed *ad infinitum*, but until it had absorbed the whole amount of rent and tithes,—had converted the landlords and clergy into trustees for the poor. And this is the state of things which, under the united influence of corn laws, even such as they are now, poor laws, and an increasing population, seems gradually approaching. But in the absence of poor laws, what reason would there be for expecting a rise in wages? Because the labourer would want more? But would the labourer's wants give to the capitalist the power or the will to pay him more? Does the Manchester manufacturer pay his fine spinners 30*s.* a week, and his coarse spinners 15*s.* because the fine spinner eats twice as much as the coarse spinner? He pays the fine spinner 30*s.* because the produce of his labour is worth 30*s.*, and a further sum equal to the average profit obtained by a manufacturing capitalist, and because, if he were to offer less, other capitalists would engage

his labourers, and his machinery would stand idle. While the labourer's services are worth 30s. he will receive 30s., whatever be the price of corn. To suppose the contrary is to consider the labourer not as a free agent, but as a slave or domestic animal, fed not according to his value but his necessities.

All experience shews that in the case which I have been supposing, the labourer's resource would be, not to raise his wages, but to reduce his expenditure. He must first give up his weekly pittance of animal food. He must drink his tea ^{first!} without sugar, and surrender his pipe, and per- ^{2nd!} haps his beer. He must sink from wheat to rye, or barley, or oatmeal, and from oatmeal to potatoes. He must look on the wheat which he would raise, as he now does on the sheep and cattle that he tends, as a luxury beyond his enjoyment. The price of corn is nearly as high in Ireland as in England; but have the wages of the Irish labourer risen to enable him to consume it? Did the exportation of corn and cattle from Ireland cease even during the rages of famine, and of pestilence occasioned by famine?

The only mode by which I can account for the phenomena which I have been describing is, by supposing that the countries which have the precious metals to dispose of, either as producers, or as having a temporary superfluity at their own current rate of prices, are willing to give more than one-fourth more for the exportable commodities produced by the labour of one North American in a year, assisted by an advance of capital equal in value to his wages for a given period, than for the commodities produced by the labour of one Englishman, and more than ten times as much as for the commodities produced by the labour of one Hindoo, similarly circumstanced. Or in other words, that the diligence and skill with which English labour is applied enables the English labourer to produce in a year exportable commodities equal in value to those produced in a year by eight Hindoos ; and that the diligence and skill with which North American labour is applied, inferior as they are perhaps to our own, yet by the assistance of the fertile soil which he cultivates, enable the North American labourer to produce exportable commodities more than one-

fourth more valuable than those produced by the Englishman in a given period, and more than ten times more valuable than those produced by the Hindoo. Or to use a still more concise expression, that labour in England is eight times as productive of exportable commodities as in Hindostan, and labour in North America is one-fourth more productive of exportable commodities than in England.

It is probable that the connexion between the value, in the precious metals, of labour, or, in other words, money wages, and the cost of importing the precious metals, may not appear so clear to many of my hearers as it does to myself. But I would ask those to whom it is not evident, Whether England and France and the other countries which use plate and money, without possessing mines, must not annually import a certain quantity of the precious metals to supply the annual wear of plate and money? Whether they must not obtain this supply directly or indirectly from the countries possessing mines? Whether the average profits of the capitalists who employ labourers to produce the commodities in return for

which this supply is obtained, must not be the same as the average profits of other capitalists in the same country? Whether the gold and silver which these capitalists import are not sent by them to the mint to be coined for their own benefit, or exchanged for gold and silver previously coined? Whether the money thus obtained, after deducting what may be payable as rent, is not divided into two portions, one of which is retained by the capitalists as profit, and the other given to their labourers, as wages? Whether their labourers are likely to receive either more or less than any other labourers in the same country, undergoing equal toils? Whether therefore the wages obtained by the labourers, in return for whose labour the precious metals are imported, do not regulate the wages of all other labourers in the same country? And whether the price, or, in other words, the value in gold and silver of all those commodities which are not the subjects of a monopoly, does not depend, in a country not possessing mines, on the gold and silver which can be obtained by exporting the result of a given quantity of labour, the current rate of profit, and, in

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each individual case, the amount of the wages which have been paid, and the time for which they have been advanced?

In fact the portableness of the precious metals and the universality of the demand for them render the whole commercial world one country, in which bullion is the money and the inhabitants of each nation form a distinct class of labourers. We know that in the small market of every district the remuneration paid to the producer is in proportion to the value produced. And consequently that if one man can by superior diligence, or superior skill, or by the assistance of a larger capital, or by deferring for a longer time his remuneration, or by any advantage natural or acquired, occasion a more valuable product, he will receive a higher reward. It is thus that a lawyer is better paid than a watchmaker, a watchmaker than a weaver, a first-rate than an ordinary workman. And for the same reason in the general market of the world an Englishman is better paid than a Frenchman, a Frenchman than a Pole, and a Pole than a Hindoo.

It has been shewn in the former Lectures, that

in the mining countries all prices ultimately depend on the cost of producing the precious metals; that though the remuneration paid to the miner is not identical with that received by other producers, yet that it affords the scale by which the remuneration of all other producers is calculated. When once experience has ascertained the comparative advantages and disadvantages of different occupations, they will continue to bear, as to wages, the same proportion to one another. A fall in the cost of producing silver must raise the wages of the miner. If those of the agriculturist were not to rise in proportion, the miner's wages would be more than in proportion to his sacrifices, and they would be reduced by the consequent competition. And on the other hand, mining would be abandoned, if, when the cost of producing silver was increased the wages in other employments could be stationary. The mine worked by England is the general market of the world: the miners are those who produce those commodities by the exportation of which the precious metals are obtained, and the amount of the precious metals, which by a given exertion of

labour, and advance of capital, they can obtain, must afford the scale by which the remuneration of all other producers is calculated.)

If this reasoning be correct, and I have in vain sought for a flaw in it, many important consequences must be admitted.

In the first place it follows that the amount of the income in money of each individual depends ✓ on the prosperity of our foreign commerce. If the worst land that can be profitably cultivated in England will produce per acre, at an average, two quarters of corn a-year, after deducting what must be reserved for seed, the proprietor of an estate of one hundred acres, producing at an average, after the deduction of seed, four quarters of corn per acre, is entitled to two hundred quarters as his rent. The value in money of {those two hundred quarters must be the same as that of the two hundred quarters which the farmer retains and divides between himself and his labourers. The value of those two hundred quarters must be equal to the wages of the labourers after deducting the farmer's profit for having paid those wages in advance. And those wages, though not precisely

the same as the wages of the labourers who produce commodities for exportation, must bear a certain proportion to those wages. If the toils undergone by the manufacturer are supposed to be more severe by one-third than those of the agriculturist, the agricultural labourer will at an average receive just two-thirds of the wages of the manufacturer. If the foreign demand for English manufactures be such as to occasion the manufacturer to receive 15*s.* or about three ounces of silver a week, the agriculturist will receive 10*s.* or about two ounces of silver a week. We will suppose that the farmer in question employs ten labourers, whose wages are advanced for a year before the produce is sold, and that the average rate of profit is one-tenth, or about eleven per cent. per annum. When wages are 10*s.* a week, or 26*l.* a year per labourer, the wages of ten labourers amount to 260*l.* a year; making, with the addition of one-tenth for profits 286*l.*, which must be the average price of the two hundred quarters annually retained by the farmer to pay his profit and his labourers' wages. And as the landlord's two hundred quarters sell for the same

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price, his rent must also be 286*l.* a year. But if any improvement in the skill by which English labour is assisted should so raise the value in the foreign market of English manufactures as to raise the wages of manufacturers from 15*s.* to 30*s.* a week, the same effect would be produced as if, in a mining country, the cost of producing silver were diminished by one-half. Though the labour of the agricultural labourer would not become more productive than before, yet *his* wages would also be doubled, or the former proportion founded on the experience of the comparative disadvantages of each occupation would not be preserved. The wages of the labourers employed in raising the two hundred quarters of corn retained by the farmer and his labourers would rise from 260*l.* to 520*l.* a year: the profit on the advance of those wages for a year must rise from 26*l.* to 52*l.*, the price of the two hundred quarters would be 572*l.* instead of 286*l.*; and the price of the landlord's two hundred quarters would of course also rise from 286*l.* to 572*l.*

In the purchase of English labour and of those English commodities in which no improvement

had taken place, the English landlord would find his income unaltered, however raised in nominal amount. But his power of purchasing those English commodities, the production of which had been facilitated, would be increased in proportion to that improvement. In the purchase of foreign labour and foreign commodities, his income would be doubled. He would be able to purchase statues, pictures, and wines, which the proprietor of an equal extent of equally fertile land in the countries producing those commodities could not aspire to. He would be able to travel as a *Milord Anglais*, and drive the French and Italian aristocracy from the first floor to the garret, or the entresol. Little imagining that the greater part of the value of what he called his patrimony was, in fact, the creation of the chimneys and jennies of his neighbour, the manufacturer.

↓ Such, in fact, were the events which actually occurred in this country during the latter part of the eighteenth and the beginning of the nineteenth century. The inventions of Arkwright and Watt, by making English labour ten times, or more than ten times as efficient in the production of export-

able commodities, doubled, or more than doubled its value in the foreign market, and reduced to one-half, or less than one-half, the cost in England of obtaining the precious metals. It is true that clinging to the restrictions and prohibitions of our commercial code, we have, as yet, refused the greater part of the advantages which Providence seemed to press on our acceptance; but cramped as they are, and always have been, by our perverse legislation, the skill of our manufacturers has, during the last sixty years, more than doubled the rent of land and the income of every class of producers.

It would be a painful task to trace the steps by which the increasing embarrassments of commerce, occasioned partly by our own adherence to the barbarous policy called protection, and partly by the retaliatory follies of other countries, by diminishing the market for English labour, are now gradually lowering its price, increasing the cost of obtaining the precious metals, and reducing the income of every producer, while the public burthens, nominally the same, are, for that very reason, really in a state of constant increase.

It is a lamentable proof of the public ignorance on these subjects, that the general fall of prices, or in other words, the increasing difficulty of obtaining the precious metals, of which every one is sensible, should, by almost every one, be attributed to some cause of almost ridiculous inadequacy. It has been attributed to our return to a metallic currency, as if the subtraction of twenty millions of sovereigns, or less than four hundred thousand pounds troy of gold, from the ten millions of pounds troy of gold bullion, coin, and plate supposed to be in use throughout the world, that is to say, the removal of one-twenty-fifth part, could sensibly affect the value of gold. It has been attributed even to the substitution of gold and silver for the three or four millions of one pound notes lately called in, as if the value of the two thousand millions sterling of gold and silver bullion, coin, and plate, supposed to be in use throughout the world, could be materially affected by the subtraction of less than one-five-hundredth part of it. It has been attributed to over production. We have been told that our agriculturists and manufacturers all produce too much ; as if it

were possible that every body could have too much of everything ; as if there were a single family that would not like to spend 1000*l.* a year. It has been attributed, which is nearly the same explanation, to the increased use of machinery, as if it were possible that general embarrassment could be the result of the improved efficiency of labour ; as if all men would be impoverished if their force and their skill were doubled. It has been attributed even to free trade, as if anything approaching to free trade had ever been conceded ; as if free trade were not specifically the cure of the evil of which it is represented as the cause ; as if the allowing every man to exert his industry in the mode which he finds, from experience, to be most productive would diminish its value ; as if we could increase the incomes of the inhabitants of Manchester, by forcing them to turn their bleaching grounds into corn fields, or those of the neighbouring farmers, by forcing them to weave their own shirts.

We are often told of the artificial state of the country. The vagueness of that expression affords a never-failing refuge to those who are pressed by

reasonings which they want sense to comprehend or candour to admit. In one sense indeed we *are* in an artificial state. We have succeeded in raising to an extraordinary height the value of our industry. We obtain the precious metals at much less than their average cost throughout the world, or even in the most civilized parts of it. This is not only the consequence of a great advantage, of the superior productiveness of our industry, but the cause of many other advantages. It enables us to obtain the products of other countries so far as our legislature allows us to receive them, so far as they are not prohibited on account of their cheapness, not merely at the expense of less labour than it would cost to produce them, but often at the expense of less labour than they cost in the producing countries. While one Englishman can produce calico worth one hundred and fifty ounces of silver in the same time within which five Poles can produce corn worth only one hundred and forty ounces, it must be advantageous to Poland to give for the calico produced by one Englishman the corn produced by five Poles.

It is probable that if public attention had been

earlier drawn to these circumstances, if we had sooner and more anxiously inquired into the causes which have enabled us to obtain the precious metals so much more easily than our neighbours, our national conduct might have been materially altered. We should have found that these causes are not resolvable into any peculiar local advantages, but principally into our comparatively greater and more skilful use of machinery and our better division of labour : and we should have felt that the progressive improvement of our rivals must quickly destroy our superiority if we remain stationary, and diminish it if our advance be less rapid, and that our progress can be maintained or accelerated only by allowing our industry to flow with perfect liberty into the channels in which it is found to be most productive.

Unhappily these inquiries were not made. We appear to have considered the comparative cheapness of the precious metals a permanent gift of nature, as little susceptible of diminution or increase as the warmth of our climate. With more than the rashness of a merchant who in his prosperity should allow his expenses to equal his

profits, we have subjected ourselves to the obligation of perpetual money payments, which we can support only while we continue not merely to outstrip, but to distance the rest of Europe. By encumbering commerce with every sort of vexatious restraint, we have done our best to force our own industry into the channels which are least beneficial, and to force the industry of other nations into those in which their concurrence is most dangerous. By act of Parliament we have converted our customers into our rivals, and then complain of their competition.

Many economists have maintained that no country can be injured by the improvement of her neighbours. If the continent, they say, should be able to manufacture cottons with half the labour which they now cost in England, the consequence would be, that we should be able to import our supply of cottons from Germany or France at a less expense than it costs us to manufacture them, and might employ a portion of our industry now devoted to the manufacture of cottons, in procuring an additional supply of some other commodities. These opinions have such an appearance of

liberality, that I am sorry to dissent from them. But it must be remembered that England and the continent are competitors in the general market of the world. Such an alteration would diminish the cost of obtaining the precious metals on the continent, and increase it in England. The value of continental labour would rise, and the value of English labour would sink. They would ask more money for all those commodities, in the production of which no improvement had taken place, and we should have less to offer for them. We might find it easier to obtain cottons, but we should find it more difficult to import everything else*.

The last remark which occurs to me as connected with the present subject, is one which I somewhat anticipated in my first course†, namely, the absurdity of the opinion that the generally high rate of wages in England unfits us for competition with foreign producers. It is obvious that our power of competing with foreigners depends on the efficiency of our labour, and it has appeared

* This reasoning bears materially on the question as to the exportation of machinery.

† See Lectures on the Mercantile Theory of Wealth, p. 76.

that a high rate of wages is a necessary consequence of that efficiency. It is true, indeed, that if we choose to misemploy a portion of our labourers we must pay them, not according to the value of what they do produce, but according to the value of what they might produce if their labour were properly directed. If I call in a surgeon to cut my hair, I must pay him as a surgeon. So if I employ, in throwing silk, a man who could earn three ounces of silver a week by spinning cotton, I must pay him three ounces of silver a week though he cannot throw more silk than could be thrown in the same time by an Italian whose wages are only an ounce and a half. And it is true, also, that I can be supported in such a waste by nothing but an artificial monopoly, or, in other words, that I shall be under-sold by the Italian in every market from which I cannot exclude him by violence. But do these circumstances justify me in resorting to that violence? Do they justify me in imploring the legislature to direct that violence against my fellow-subjects? If that violence is relaxed, but not discontinued, have I, or has the consumer, the more right to

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complain? If my estate were water-meadow, I should lose if I were to endeavour to convert it into corn-fields. But surely that is no subject of complaint; surely it is no reason for prohibiting my neighbours from purchasing corn in any adjoining parish. To complain of our high wages is to complain that our labour is productive,—to complain that our workpeople are diligent and skilful. To act on such complaints is as wise as to enact that all men should labour with only one hand, or stand idle four days in every week.

Nature seems to have intended that mutual dependence should unite all the inhabitants of the earth into one great commercial family. For this purpose she has infinitely diversified her own products in every climate, and in almost every extensive district. For this purpose, also, she seems to have varied so extensively the wants and the productive powers of the different races of men. The great superiority of modern over ancient wealth depends in a great measure on the greater use we make of these varieties. We annually import into this country about thirty million pounds of tea. The whole annual labour required

to purchase and import this quantity does not exceed, probably does not equal, that of fifty thousand Englishmen. With our horticultural skill, and our coal mines, and at the expense of about three guineas a pound; that is to say, by employing more than one million two hundred thousand men instead of less than fifty thousand, we might produce our own tea, and enjoy the pride of being independent of China. But one million two hundred thousand is about the number of all the men engaged in agricultural labour throughout England. A single trade, and that not an extensive one, supplies as much tea, and that probably of a better quality, as would be obtained if it were possible to devote every farm and every garden to its domestic production.

The greater part of the advantage of rather importing than growing and manufacturing tea arises, without doubt, from the difference between the climates of China and England. But a great part also arises from the different values of labour in the two countries. Not only the cultivation of the tea-plant, but the preparation of its leaves, requires great labour. The wages of labour are

so low in China, that these tedious processes add little to the cost of the tea. In England the expense would be intolerable. When a nation in which the powers of production, and consequently the wages of labour, are high, employs its own members in performing duties which could be as effectually performed by the less valuable labour of less civilized nations, it is guilty of the same folly as a farmer who should plough with a race-horse.

It has been a general remark of political economists, that the home trade of every country is more extensive and more important than its foreign trade.

As applied to nations of considerable extent, and at the present time, this is probably true. But as a general proposition, as indicating the state of things, such as it may be expected to be in the absence of peculiar disturbing causes, I am satisfied that it is false. In China, a country comprising probably one-fifth of mankind, and separated from the rest of the civilized world by vast deserts, or ten thousand miles of sea, the internal trade is necessarily the principal one. It must also be the principal trade in those countries, which, though of moderate extent, and favourably

situated for foreign commerce, perversely refuse her advantages; or, like Spain, submit to them only when inflicted by the smuggler. The home trade is also, at this instant, the principal trade of Great Britain; but whether necessarily, or naturally so, may be doubted.

As the British islands make but a small portion of the globe, and that portion is remarkably uniform in soil, climate, and produce, it might have been supposed that the market of the whole world would have been more extensive and more varied, than that of England, Ireland, and Scotland. The communication between the eastern and southern coasts of Great Britain, and the western coast of Europe, and that between the western coasts of England, Ireland, and Scotland, and the eastern coast of North America, is more easy than that between most of our counties which are not absolutely contiguous. The freight of a cask of wine from Oporto to London is rather less than the cost of its carriage from London to Oxford. It might have been supposed that the whole of our trade with those regions, so vast, so accessible, and so varied, producing so much that

we want, and wanting so much that we produce, would be at least equal to the whole trade of our different provinces with one another. That it is not so, is to be attributed to war and mischievous legislation ; or, in other words, to crime and to folly. From the conquest to the present time, have our legislators laboured to repel the advantages which our situation and our habits have almost forced upon us. In the earlier periods of our history, when our want was of manufactures, parliament accumulated restriction on restriction, and penalty on penalty, until they had at length prohibited the importation of almost every wrought article then in ordinary use. And that exportation, or at least one sort of exportation, might not be destroyed by the absence of importation, they taxed the whole community to raise annually sums which, even now, would be called large, to pay a bounty to exporters of corn ; or, in other words, to pay, on the behalf of the foreign purchaser, a part of the price which he was prohibited from paying in the mode most advantageous to us and to himself. A conduct, of which the curious absurdity could be paralleled only by that of a

nation which should, at the same time, prohibit the importation of subsistence, and endeavour to raise funds to aid the emigration of its inhabitants.

After centuries of legislation and poverty, the reformation, the revolution, and the inventions of a few gifted individuals, raised us almost suddenly to be the greatest manufacturers in the world; and, with our increasing population and prosperity, the price of corn rose until our former situation was reversed: we became exporters of manufactures, and importers of raw produce. With perverse ingenuity, measures were adopted to meet this alteration in our circumstances. Because it became profitable to import corn, its importation was prohibited; because we were supposed not to be in want of manufactures, their importation was allowed. It is of great importance, as a part of the history of human folly, to mark that these *are* the grounds on which the public is generally called upon to approve of the commercial legislation of the last fifteen years. The ground on which the present limited admission of French silks (to take a single instance) is

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generally defended, is, that our silk manufacturers can undersell or at least compete with the foreign producers. Those who oppose Mr. Huskisson's measures always expatiate on the quantity that we import, and the low price at which it may be obtained: those who defend them maintain that the quantity imported is trifling, and cannot be obtained at a less price than it could be produced at home. In other words, the measure is defended as useless, and opposed as beneficial. With similar perversity, those who defend the corn laws try to shew that wheat may be obtained from abroad at 30s. a quarter, while those who oppose those laws endeavour to prove that it could not be imported at less than 52s.

It is not enough to say that our barbarous policy deprives us of many of the advantages offered to us by nature; in many cases it turns her bounties into positive evils. There are scarcely any articles of raw, or slightly manufactured produce, of which the price in England does not exceed the average price throughout Europe, except those articles which our soil and our climate do not enable us to produce at home.

If coffee or sugar were of English growth, we should soon have coffee laws and sugar laws, and must submit to hear them defended on the ground that the low taxation and superior fertility of other countries make it necessary to protect the domestic producer against foreign competition. This seems to be the circumstance which makes the public submit so quietly to the apparently strange law which prohibits the growth of tobacco in the British islands. It seems felt that our only chance of obtaining that commodity on fair terms is absolutely to prohibit the owners of our own soil from having anything to do with it. That, under these circumstances, our home trade far exceeds our foreign trade is true ; but it is true only in consequence of laws introduced and perpetuated by the prejudices of some, the avowed and arrogant selfishness of others, and the ignorant supineness of almost all. *Is habitus animorum fuit, ut pessimum facinus auderent pauci, plures vellent, omnes paterentur.*

LECTURE II.

ON SOME EFFECTS OF PAPER MONEY.

IN the last lecture, I considered the effects produced on the value of money in any country by the skill and diligence with which the labour of that country is applied. These effects are gradual and permanent. In this and the following lecture, I shall consider some of the effects produced on the value of money in any country by the use or disuse of the substitutes for money. These effects are sudden but transitory.

If a country should suddenly adopt, to a considerable extent, any substitute for money; if, for instance, England, having previously prohibited the issue of notes for small sums payable to bearer, should suddenly legalise them, and notes equal in value to one-third of the former metallic

currency, which we will suppose to have been of the value of forty-five millions sterling, should be issued, either the issuers must, at the same time that they issue their notes, export the money received in exchange for them, or both the notes and money must circulate together. If the first mode were adopted, it is obvious that the real exchange must be against England, in almost every quarter, until the export of money had ceased. We should for a time be in the situation of a mining country, and as neither the productiveness of our labour nor the amount of our currency would be altered, the consequences would be that some foreign commodities would be more abundant during the continuance of the increased importation,—that our capital would be increased by that portion of them which would be reproductively employed,—and that we should be able to turn to other purposes some of the labour and capital formerly employed in supplying the wear of fifteen millions of specie—a saving perhaps of 150,000*l.* a year. These consequences would be beneficial.

But unfortunately the business would be very

differently conducted. The issuers of notes are seldom persons engaged in foreign commerce, and they seldom issue them in immediate exchange for money. Notes are generally advanced as loans, repayable, at the earliest, in two or three months, and often in not less than two or three years. In the case which I have put, the coin and the notes would at first probably circulate together. All prices would rise, and they would rise not merely to the extent of the excess of money, but to the spirit of speculation which such an excess would create. While the rise of prices was going on, all purchases made for the purposes of resale would be advantageous. Great profits would be obtained, and still greater ones expected, and every man possessed of money or credit would be eager only to become a purchaser, feeling no doubt of his gains as a seller. Such circumstances would obviously check our exports and increase our imports. It would become profitable in England to import many things which, when foreign and English prices bore their former relation, would not bear the expenses of transport; it would no longer suit foreigners to

import from England many things which were importable at our former prices.

The necessary consequences would be a generally unfavourable exchange, and an export of money. As long as the issue of notes continued to exceed the export of money, prices would continue to rise, and the apparent prosperity would go on increasing. And, if we could suppose both the issuers and the takers of notes utterly ignorant or regardless of the consequences of what was going on, the issue might continue until the last piece of metallic money had been exported. The crash would then be instantaneous: as prices would then be at their height, so would be the profits on the exportation of money. Those holders of notes who were sending money abroad, would call on the issuers of notes for payment in money; and there being no money in the country, every issuer of notes must stop payment. No more notes could be issued, and the existing ones would lose their value. The country would be without money, and without the principal substitute for money, credit. There would, at first, be no such thing as price, but exchanges would be

performed by barter ; and we may be sure that the discomfort and insecurity of a state of barter would create an intense desire for money. The holders of exportable goods would be eager to send them off. The holders of bills on foreign countries would require their remittances to be made in money. Importation would of course be suspended, and the exchange would be in our favour with all the world. Money would come in from all quarters, though, for several reasons, less rapidly than it went out.

In the first place, the competition of our exporting merchants would sink the prices of our commodities abroad ; and secondly, the waste and misapplication of capital, during the previous period of prosperity and speculation, the difficulty of obtaining supplies of foreign materials from abroad during our subsequent adversity, and the interruption of that division of labour which is founded on a general system of credit, would probably much diminish the productiveness of our labour.

The last circumstance, by diminishing the value of English labour in the general market of the world, would keep down, while it lasted, all our

money prices ; and it may be supposed, therefore, that the same amount of money as circulated before the issue of the notes took place would not now be necessary. But, during the absence of credit, money would be the only substitute for barter. The exchanges in which it would be necessary would be far more numerous, and its circulation far less rapid. If forty-five millions sterling were necessary before, it is probable, that, after such a panic as must have been created by the events which I have supposed, ninety millions would not be enough even to keep up prices at three-fourths of their former amount.

It is impossible, however, that such a state of things should occur,—that a whole country should at once find itself drained of all its money, unless the imprudence of individuals were heightened by the still greater imprudence of government. In the first place, no banker issues notes without making some reserve of metallic money to meet them. Even if the shock were unforeseen, and the discredit of all the notes simultaneous, there would be some money in the country to meet it. And in the second place, the shock could not be unfore-

seen, nor the discredit universal or simultaneous. The credit, the prudence, and the wealth of the issuers of notes must be of every different degree. In such a country as England, there are some bankers whom no individual would trust with five hundred pounds, and who might be reduced to insolvency by an unexpected demand for one thousand pounds, and others, who at a day's notice could draw hundreds of thousands from their own resources, and obtain millions from their connexions. There are some who move in the track which experience has shewn to be safe, with the impassive regularity of mechanism; and others, who, when extraordinary gain is suggested to them, seem not only willing to encounter chances, but to be deprived of the power of calculating them.

It is impossible that the rise of prices and extension of speculation, which I have supposed, could continue long, before accident or imprudence should expose some establishments to a demand for money, which they would be unable to answer; a general feeling of distrust would follow, and would cause a simultaneous demand

of money for notes, or, to use a word which the unhappy experience of the year 1825 has rendered familiar, a "run," upon all those establishments whose character for riches did not place their solvency above suspicion; at first, indeed, an indiscriminate run upon all. The first effect of this would be to bring out the reserves of money: the second would be the failure of many establishments, and the discredit of their notes; but many would probably stand it, and suffer scarcely a momentary interruption of their credit and circulation. Prices certainly would fall, the exchange would turn in our favour, money would come in, thousands would be ruined irretrievably, and years might be necessary to restore the country to its former state of settled prosperity; but all these effects would be produced in a lower degree than in the extreme instance with which I set out.

It will be observed, that I have allowed nothing for the general fall in the value of the precious metals throughout the world, which might be expected to arise from the additional supply afforded by the disuse of metallic money in a single coun-

try. Some effect of this kind would be produced, but it would be so slight, that it may safely be disregarded.

The whole amount of the precious metals throughout the world, in bullion, coin, and plate, has been supposed to be of the value of about two thousand millions sterling. The whole metallic currency of Great Britain and Ireland is not supposed to exceed thirty millions; it is subject to much variation, but I believe it to be usually less. Even if we were to export our last sovereign, and our last shilling, how trifling would be the effect in the general market of the world, of an addition of thirty millions to two thousand!

The power of individuals, therefore, to affect the currency of a country is limited—that of a government is not so.

Suppose that, at the commencement of the panic imagined in my last instance, government had taken one banking company under its protection—had forbidden it to pay its notes in coin or in any other equivalent—had permitted it to issue, and continue to issue, fresh

notes to any amount—had directed that its notes should be received in all payments to government, and in private transactions, as of equal value with the money which they professed to promise to pay, and had prohibited the exchange of coined gold and silver, for more than an equal nominal amount in notes;—

It would be in the power of the banking company in question, by lending to the different banks of the country a sufficient number of its own notes, notes which would cost merely the expense of making and stamping paper, to relieve the difficulties of those which were tottering—to fill the void of those which had fallen, and to enable all those which had still a reserve of metallic money to make use of it, keeping the notes of the favoured bank in its room. And it would also be in its power, by still further increasing its issues, either by way of loan, or by dividing them as profits between its own partners, to keep up the high prices, and the unfavourable exchange, until the last piece of coined gold or silver had quitted the kingdom.

It would be in its power, by still further increas-

ing its issue, to raise prices as estimated in its paper to any scale it thought fit. It would also be in its power, by diminishing its issues, to sink them to any point not lower than the metallic prices of foreign countries. It could not sink bread to a farthing a quartern loaf, but it would be able to raise it to a hundred pounds.

The real par of exchange between England and foreign countries would be at an end. English paper money, having neither intrinsic utility nor ascertainable limitation of supply, would be incapable of export. It still, however, must be used as a medium of exchange, and as an expression of value even in international transactions. The French exporter of wine to England must, in the first instance, sell his wine for a certain quantity of English notes of a given denomination. These notes, as he could not export them, he must again exchange for some other commodity in England; and his profit, or loss, would depend on the comparative ^{Prices} values in France of that commodity, and of his wine, after deducting the expenses of carriage. We have already seen that no commodities are so permanent in their value, so uni-

form in their quality, or so easy of transport, as gold and silver. The quantity of gold or silver which they could purchase would unquestionably be the standard by which he would estimate the value of the English notes which he received for his wine. This gold and silver would of course be in an uncoined state, or, in commercial language, bullion. If five French Napoleons and four English sovereigns, while English sovereigns existed, had each contained the same quantity, say an ounce, of gold bullion, the real par of exchange between England and France would of course have been five Napoleons for four sovereigns. If four English notes, professing to promise to pay four sovereigns, would purchase in England only half an ounce of gold bullion, the nominal exchange would be fifty per cent. against England, or, in other words, a bill in France on England for eight hundred sovereigns, which, if payable in coin, would have sold in France for one thousand Napoleons, would sell for only five hundred. And a bill in England on France, which would have sold for four hundred coined sovereigns, would sell for eight hundred pounds

payable in notes. And supposing the transactions between England and France equal in amount, they would be adjusted by the exchange of bills at this rate of exchange.

If, however, the exports from England to France should exceed the value of the imports— if, for instance, the French had to pay us five thousand Napoleons, and we had to pay them notes to the nominal value of four thousand sovereigns, bills for two thousand five hundred Napoleons would be capable of discharging the whole English debt. In that case, the remaining two thousand five hundred must be sent from France in gold; and as all the English creditors would be anxious to avoid the expense of transporting the gold, they would be willing to purchase French bills on England, which would entitle them to obtain payment from their own countrymen, at the rate of something more than eight sovereigns for five Napoleons. Instead of being fifty per cent. against England, the nominal exchange might therefore, for a time, be only forty-eight or forty-nine per cent. against England.

And, by reversing the facts, we may suppose

it fifty-one or fifty-two ; fifty being always the central point to which it would tend, while the quantity of bullion contained in a Napoleon, and that purchasable with an English note, for a sovereign, continued to bear the same proportion to one another.

It may, however, be supposed that we should have no bullion. While the exportation of our coin was going on, we certainly should have none, as it could not be our interest at the same time to import bullion and export coin. But before our export of coin began, we must have been in the habit of importing from the mining countries a certain quantity of bullion, to supply the wear of coin and plate. After our export of coin had ceased, we could have no difficulty in renewing that intercourse. The bullion trade, as it is essentially a trade of barter, would probably be the least disturbed of all our foreign commercial relations. There would still be the same demand for English commodities in the mining countries, and the same supply of gold and silver offered in exchange for them. To a very slight degree indeed, we should probably obtain bullion on better terms than be-

fore. First, because we should want rather less of it, our annual wear of coin being at an end, and our import of bullion confined to the supply of plate and the small stock necessary to meet sudden alterations in our real exchange with other countries ; and secondly, because our export of coin would have had, as I observed before, a very slight tendency to increase the supply of bullion in the rest of the world. The real price, the sum of the produce of English industry, which we should pay for a given quantity of bullion, would be governed by the same causes as before. It would still depend on the cost of producing, in the mining countries, the whole quantity of bullion which they exported, the amount of that quantity, and the portion of it which they would be willing to give in exchange for the results of a given sum of English industry. And as none of these circumstances would be altered, or, if altered, altered slightly in our favour, there is no reason why our supply of bullion should be more difficult, or its value less steady than before.

It would appear, however, more unsteady, because real variations in the value of the precious

metals, which are not easily ascertained when they are employed in the form of money, would now be detected. As the mint in this country returns an equal weight of coin for gold, when we say that the mint price of gold is 3*l.* 17*s.* 10½*d.* an ounce, we merely express that 2 lbs. of gold of a given fineness are coined into eighty-nine pieces called guineas, and that 40 lbs. of gold are coined into 1869 pieces called sovereigns. And it is obvious that, while gold money is our medium of exchange, and the melting and exportation of money is permitted, the market price of gold bullion can never be above the mint price; for no man would give more than eighty-nine guineas, that is, 2 lbs. of coined gold, for 2 lbs. of gold bullion, that is, 2 lbs. of uncoined gold. And if there were a mint in every town, which, on demand, exchanged coined gold for bullion, the market price of gold bullion could never be below the mint price; as no man would sell 2 lbs. of bullion for less than eighty-nine guineas, when he could obtain eighty-nine guineas for it, without delay or trouble, at the Mint. As, however, we have but one mint, and that mint does not give

coin for bullion till after a short delay, the market price is sometimes below the mint price. When the delay was six weeks, the difference was sometimes $4\frac{1}{2}d.$ an ounce, or, in other words, 208 ounces of bullion might be purchased with a very small fraction more than 207 ounces of coin. And it is obvious, also, that no increase or diminution in the expense of procuring bullion would, in the slightest degree, affect its money price, as any cause which should raise or depress the value of 2 lbs. of gold, would equally raise or depress the value of the eighty-nine guineas into which it may be coined, and which form its money price.

But when our medium of exchange became paper, the market price of bullion, though it could not sink below the mint price, might rise to any extent above it. I started with the supposition that our currency, when notes were first introduced, amounted to forty-five millions sterling. And I will also suppose that at that time 2 lbs. of gold were coined into eighty-nine guineas, or, in other words, that the mint price of gold was $3l. 17s. 10\frac{1}{2}d.$ per ounce. If we suppose the forty-five millions sterling of metallic money displaced

by an issue of notes of the nominal value of ninety millions sterling, though the same amount of English industry would still obtain from Brazil an ounce of gold, yet, as the nominal sum which must be paid as wages and profits to the persons who produce the English commodities in exchange for which it is obtained would be doubled, when expressed in notes, the price of the gold, in notes, would be doubled also, or the persons employed in producing commodities for the purpose of importing gold would not be on a par with the rest of the community. Gold bullion, therefore, would rise to 7*l.* 15*s.* 9*d.* an ounce ; and as long as the cost of obtaining gold and the amount of our paper currency each remained unaltered, the price of gold would be steady at 7*l.* 15*s.* 9*d.* If, however, the cost of obtaining gold should increase, which, of course, might arise from any cause which should diminish either the power of the South Americans to produce it, or their demand for English commodities, the market price of gold might rise, though the amount of our paper currency should remain unaltered. We have seen that, with a

gold currency, this effect could not be produced. Our inconvertible paper currency would, therefore, afford a new test of alterations in the value of gold.

With a metallic currency, if the cost of obtaining gold should increase five per cent., it probably would be long before the fact would be acknowledged. The fall of price in each particular instance would be attributable to some fact connected with the commodity itself. Corn would fall from three guineas to three pounds a quarter; it would be said that the harvest was better than had been supposed. Labour would fall; that would be attributed by most reasoners to the fall in the price of corn; and the fall in the price of almost all other articles would be attributed (and rightly enough) to the fall in the price of labour. At the same time, there is no doubt that some of the commodities, the supply of which depends on the seasons, would rise, as no season is equally favourable to all. This would help to keep the real fact out of sight; and it could be proved only by a very wide induction, and after a considerable period. With an inconvertible and stationary paper cur-

rency, if other prices remained unaltered, and bullion rose, the fact would at once be attributed to its true cause.

But if an increased cost of obtaining bullion, and an increased issue of notes should be contemporaneous, there would probably be considerable difficulty in apportioning the consequent rise in the price of bullion between the two causes; and the difficulty of estimating the part to be attributed to the increased expense of obtaining bullion, would be still greater if instead, or contemporaneously with the issue of notes, there should be an increased rapidity in their circulation, or an increased use of credit, or of balancing accounts, or of any other substitute for money. When the use of these substitutes increases in a country employing a metallic currency, they cause a rise of prices, an export of money, and then a return of prices to their former level. In a country possessing solely an inconvertible paper currency, they must operate solely by producing a rise of prices.

In my hypothesis, I have supposed a substitution of ninety millions of paper for forty-five

millions of money. In such a case, the facts would be so glaring, that no one could doubt that the profuse issue of paper had occasioned almost all the alterations observable in prices. But if the issue had been gradual, and there had never been more than sixty millions in notes at one time in circulation, if the circulation of the inconvertible paper had lasted ten or twelve years; and if, during that time, variations, might have been supposed to have occurred from time to time in the expense of obtaining gold, in the rapidity of our circulation, and in the use of substitutes for money, much dispute would probably arise as to the causes of the variations of the market price of gold from its mint price, and as to the respective force of those causes. Some would say that it was not the paper which had fallen, but the gold which had risen, or, in other words, that the market price of gold was above its mint price, not because more notes had been issued than the amount of the metallic money previously in circulation, but because the expense of obtaining gold had subsequently increased. Others would consider the rise of prices as principally occasioned

by those improvements in banking and commerce, which diminish the use and quicken the circulation of money. And others probably would deny the existence of either of the above causes, and attribute the whole difference to the amount of the issues of paper.

And history bears me out in saying that there might exist a body who would deny the existence of any difference at all, and who would, after debate, solemnly resolve "that the notes of the Company have hitherto been, and are at this time, held, in public estimation, to be equivalent to the legal coin of the realm;" or, in other words, that when eighty-nine guineas would purchase twenty-four ounces of gold bullion, and ninety-four pounds in notes would not purchase twenty ounces, the notes were more valuable than the guineas; or, to put it in a different shape, that when one hundred sovereigns would purchase one hundred and thirty pounds in notes, yet that one hundred and one pounds in notes were of more value than one hundred sovereigns.

You must all have long been aware that in my supposition of a country using a currency con-

sisting of inconvertible paper, I have been describing England during the continuance of the Bank Restriction Act.

Before the memorable year 1797, the Bank of England was, what it now is again, a corporation of great wealth, issuing notes payable in gold, and protected by no privilege from the necessity of making that payment on demand. In the beginning of that year, circumstances, which I will not now attempt to explain, occasioned a run upon the Bank, to which the Directors believed their reserve of gold to be inadequate; and in an evil hour for the country, though a fortunate one for the Bank, they begged the assistance of their principal debtor, the Government. Silver and gold Mr. Pitt had not, but he gave them an order, restricting the Bank from paying its notes in gold; a restriction which, after some interlocutory prolongations, was extended to six months after a general peace, and which, in fact, continued in force nearly a quarter of a century. This restriction removed the danger of bankruptcy; but, though it appeared to enable the Bank to issue as many of their notes as they pleased without the

possibility of being called on for immediate payment, yet as no one was obliged to take them, the commercial existence of the corporation was in danger of being destroyed. The value of bank notes was, however, for some time kept upon a par with the gold which they represented, partly from habit, partly from their being both received and tendered in payment by Government, and principally from their not being issued in a greater amount than was necessary to replace the coin which had been withdrawn.

Towards the year 1809, however, circumstances occurred which, if our currency had been metallic, would have occasioned a less amount of it to be necessary. The interruption of our commerce by the general extension of the war, and by Napoleon's decrees, subsequently aided by our own orders in council, threw great difficulties in the way of obtaining the precious metals from other quarters. At the same time extraordinary importations of corn, subsidies to foreign powers, and a large government consumption abroad, part of which was paid for in bills on England, drawn by our own commissariat, and for all of which gold

was the readiest remittance, kept up a constantly increasing demand for bullion. An unfavourable exchange, an export of coin, and the increased value and efficiency of the portion retained, would have been the consequences if our currency had been metallic. Being inconvertible paper, the consequences must have been a rise of the market price of bullion over the mint price, and a depression of the exchange at least in that proportion, even if the amount of our paper had continued unaltered. On the contrary, it was increased; and the price of bullion, both causes acting upon it in the same direction, continued to rise. The exchange fell not only to the amount of the difference between paper and gold, but still lower, both because the foreign holder of a bill on England could never be sure that bullion would not rise still higher before he received notes for his bill, and because the bills drawn on England by government agents abroad were thrown on the market without the caution or the skill of men acting on their own account. I have often wondered that, under such circumstances, three years were suffered to elapse before any

English creditor endeavoured to enforce payment either in gold, or in notes estimated at the gold they would purchase.

At length, however, in June, 1811, Lord King, probably with a view to demonstrate by an *experimentum crucis* the real value of Bank of England notes, gave notice to his tenants that he would no longer receive notes at par, but that his rents must thenceforth be paid in guineas, or in an equal weight of Portuguese gold coin, or in Bank of England notes of a sufficient nominal value, to purchase such an equal weight.

Lord King's attempt at practical reasoning met with a practical answer. The 51 Geo. III. cap. 127, was passed, which made the buying or selling coin at a rate above its nominal value, or the giving or receiving Bank of England notes at a rate below their nominal value, a crime punishable by fine and imprisonment; and prohibited a distress for rent after a tender in Bank of England notes of the amount due. Arrest for debt after such a tender had before been prohibited.

The act seems liable to be easily evaded, and probably would have been so, if there had been

any sudden and enormous depreciation of bank notes ; if there had been a sudden issue, for instance, sufficient to sink their value one-half. It was, however, submitted to, with the exception of a petty smuggling traffic, by which the remaining guineas, except a few which were hoarded, were gradually exported. I recollect, however, so late as 1814 being offered 10,000 guineas for 14,000*l.* in notes.

The Directors of the Bank abused their power much less than could have been expected. It is true they did not diminish their issues, when the rise in the market price of gold shewed that an increased use of the substitutes for money, or an increased difficulty in obtaining gold, had made them still more excessive. It is true, also, that they did, after a time, increase their issues from less than twenty-three millions and a half, the amount in the beginning of 1811, to 28,979,876*l.*, the amount towards the end of 1814; but such conduct, injurious as it was, is a model of sobriety and moderation when compared with that of any other individual or community invested with similar powers.

At length a period arrived when peace had diminished our foreign expenditure, and put an end to our subsidies: trade had returned to regular channels, and more regular, but, perhaps, lower profits. All prices had fallen from the conversion of unproductive into productive consumers; and, in some main articles, from favourable seasons, great commercial losses in the preceding years had diminished speculation and credit, and bank notes were rising to a par, indeed had almost reached a par, with gold. The restriction act was gradually repealed, the market price sunk fourpence halfpenny per ounce below the mint price, and the subsequent disorders of our currency cannot be charged on the direct interference of the legislature.

The 51 Geo. III. was passed to prevent bank notes from being at an open discount. "The Bank," said Lord Stanhope who introduced it, "is one of the bottom planks of the ship of England, and woe to us if we permit it to be bored through." There can, I think, be little doubt now, that an open discount in bank notes, a recognised difference between paper and metallic

prices, would have been the best palliative of the restriction act. It is not impossible that it might have induced the Bank to reduce their issues, until their paper had been at a par with gold. They must have been anxious to save their notes from avowed depreciation, and little as they admitted that the amount of their notes had any thing to do with their value, still they probably would have tried the experiment of diminishing that amount, if it were only to shew their opponents the uselessness of such a measure ; and when they found the plan succeed, perhaps even bank directors, such as bank directors then were, might have been convinced. If, however, their conduct had remained unaltered, the public would have had the power, and probably the will, to secure to themselves the use of a less variable currency. Two prices would have been established, one in gold, the other in notes, diverging or approaching as the price of guineas in notes rose or fell. Or more probably, all prices would have been estimated in guineas, and paid in notes according to the discount of the day. The consequences of an increased difficulty in obtaining gold, or of an

increased use of credit, or of the substitutes for gold, would have been, that less gold would have been sufficient. The power of arresting for any debt payable in gold would indeed have been suspended, or at least diminished, as the debtor would have been able to protect himself by tendering the amount in bank notes; but it may be questioned whether that would have been any public injury: in all other respects we might have returned to the state of things before the restriction—and we should have escaped the temporary evils produced by the restriction from 1811 to 1819, and the permanent ones which have survived it. We should have escaped that part of the variation of prices during those eight years which is attributable to the varying issues of bank notes; and permanent contracts would not have been entered into, when 1869*l.* in notes were worth only thirty pounds of gold, to be performed when they were worth forty pounds.

I have said that the bank directors exercised their power with extraordinary moderation: I cannot support this remark by comparing their conduct with that of any other individuals in a pre-

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cisely similar situation, because I am not aware that the power of issuing notes having a forced circulation, with a suspended liability of payment, and that payment guaranteed only by the issuers, has in any other instance been confided by the government of a country to any of its subjects. But that power has often been assumed by the government itself, and it is with the conduct of governments, therefore, that we must compare that of the bank. The lowest depreciation of bank notes, or, in other words, the greatest difference between the market and the mint price of gold, was thirty per cent. ; and a part of this difference is probably to be attributed, not to the original excess, but to the absence of subsequent contraction, an imprudence on the part of the bank, but a much less glaring one than over issue.

In the next Lecture we shall see what governments have done.

LECTURE III*.

ON SOME EFFECTS OF GOVERNMENT PAPER MONEY.

IN the last Lecture I considered the effect on the value of metallic money which can be produced by paper money, issued by individuals. In the present Lecture I shall consider the effects of paper money issued by governments.

My first instance shall be taken from the celebrated Mississippi scheme of Law.

In the beginning of the year 1716, the specie circulating in France was supposed to amount to about £40,000,000 sterling, or 800 millions of

* The following account of Law's transactions is taken from Sir James Steuart, book iv. part 2 ; Macpherson's Commerce, vol. iii. p. 107 ; and Storch, vol. iv. note xvi.

The account of the financial transactions during the French revolution is taken from Storch, vol. iv. note xvi., and from vol. v. of the History of the French Revolution, by M. A. Thiers.

The statements respecting the Russian, Danish, and Austrian paper monies, are also taken from Storch, vol. iv. note xvi.

livres—the mark of silver, which is worth about 40 English shillings, being coined into 40 livres. But for some previous years the quantity of silver denominated a livre had been constantly varying; in 1715, the mark had been coined into 28 livres; in 1709 it had been coined into 40; in 1689 it had been coined into 28; and between 1689 and 1709 had been subject to constant alteration. Under these circumstances Law established a bank at Paris, called the General Bank, issuing notes payable on demand in livres of the same weight and fineness as those which were current at its institution; promising, in fact, to pay, not a nominal, but an ascertained quantity of silver*. The security afforded by this promise enabled the bank in the course of three years to issue notes to the amount of 59 millions of livres; and if we suppose that about 19 millions of livres were consequently withdrawn from circulation, the notes of the bank may be supposed to have raised the whole currency of the kingdom to £41,000,000 sterling, or 840 millions of livres.

* The notes ran thus: "The Company promises to pay the bearer at sight ——— livres in coin of the same weight and fineness with the coin of this day."

On the first of January, 1719, the Government, that is, the Regent in the name of the King, took possession of the bank. The first alteration was in the form of the notes ; the words, “ of the same weight and fineness ” were omitted, and the note no longer promised to pay any thing more definite than so many livres ; being, in fact, a promise to pay whatever the debtor thought fit, as the debtor had the power, in fact was in the habit, of increasing and diminishing the quantity of silver denominated a livre according to his notions of expediency. The next change was in the amount of its issues.

The bank issued notes to the nominal amount
of millions of livres.

On April 22, 1719	-	-	-	51
June 10, 1719	-	-	-	50
July 25, 1719	-	-	-	240
September 12, 1719	-	-	-	120
October 24, 1719	-	-	-	120
December 29, 1719	-	-	-	129
January —, 1720	-	-	-	21
February —, 1720	-	-	-	279

Total issued in eleven months - 1010 millions
of livres of the nominal value of rather more
than £50 millions sterling ; of which at least

600 millions must have been in circulation at one time. What part of the previously existing specie remained in circulation, is doubtful. It is clear, however, that it could not have been all withdrawn, as no run was ever made upon the bank for coin. Its notes, though they lost the premium which they had borne while the establishment continued in Law's hands, still exchanged for coin at par.—I must now turn a little backwards in the story, and state, that while the bank was in the hands of Law and his partners, they received from the government the exclusive privilege of trading to the West Indies and the French possessions on the continent of America, (whence the name of the Mississippi scheme has ever since adhered to the whole of the transactions originating with Law,) to all countries to the east of the Cape of Good Hope, and had been incorporated under the name of "The Company of the Indias." The mint, which in France is a source of profit, was afterwards made over to them, and they obtained a lease from the crown, first of the duties on tobacco, and afterwards of all those duties which were usually leased under the old

régime, and they were at last entrusted with the receipt of all the revenues of the state. In return for these privileges, besides the annual rents for the duties leased to them, they engaged to lend the government 1,600 millions (£80 millions sterling) at three per cent. To enable them to do this, the bank was restored to them, on the 22d of February, 1720: their proceedings, however, were to be under the control of government, and the King guaranteed the payment of their notes. Five days after followed the celebrated arrêt of the 27th February, 1720, which prohibited any person or corporation from possessing any bullion, or more than five hundred livres (twenty-five pounds) in specie. The most extensive powers of search were given to the police, and informers were rewarded with all the excess found.

At the same time the notes of the company were not only made a legal tender, but the only legal tender, and the payment of any sum beyond ninety-nine livres, (four pounds nineteen shillings) in specie was made punishable by a fine of three thousand livres. The object of these laws was,

of course, first to force all holders of specie to carry it to the bank to be exchanged for notes; secondly, to prevent their demanding payment from the bank in specie, except for small sums; and thirdly, to give a forced value to the notes, as the only money that could be safely tendered, or safely kept. On the 5th of March, 1720,—a considerable sum of specie having probably been received by the bank in the mean time,—an arrêt was made, directing the mark of silver to be worth eighty livres. This, of course, enabled the bank to pay whatever specie might be demanded by the holders of their notes, at half the former expense. This arrêt continued in force only a week, for it was followed by that of the 11th March, 1720, which declared that on the 1st of April the mark of silver was to be worth only seventy livres, and on the 1st of May, sixty-five; and all use of gold and silver as a medium of exchange was prohibited. As the bank received coin in the meantime at eighty livres the mark, this occasioned a considerable influx of coin to their coffers, in anticipation of its impending reduction in value. In three weeks they are said to have received 44

millions of livres, worth nominally about one million one hundred thousand pounds sterling.

The government and the bank seem now to have supposed that the ordinary standards of value, gold and silver, being got rid of, bank paper would be unsusceptible of depreciation or excess; and between the beginning of March and the 2nd of May, they issued notes of the nominal value of 1,626,672,910 livres: being more than double the whole average amount of the money of the country. In the beginning of May, there were in circulation, notes of the nominal value of 2,225,083,590 livres; being a nominal value nearly three times as great as the 800,000,000 of coin for which they were substituted. Gold and silver coin would, of course, have disappeared, even if they had not been legally banished. Still, for the purpose of small payments, there was a circulation of small silver coins, and of copper, and in these small coins the bank paid those notes of ten livres which were presented to it. It may appear singular, that this coinage of small silver remained in the country. As the nominal value of every commodity had been at least trebled in

France, we might have expected that the silver would have been collected and exported, and that the failure of the bank would have been occasioned by their subsequent inability to pay silver for their small-notes—and such, I think, would have been the case, if the whole transaction had taken up a longer time. But in less than three weeks after the last issue of notes, the bank was murdered by the government. If the government had not interposed, it might have lived in apparent credit for three months longer.

The history of the Mississippi scheme is a proof how ignorant the whole of a cultivated nation may be of the necessary results of their actions.

It appears to us obvious, that when the currency of the country was suddenly tripled, all prices must have experienced at least an equal rise. The French government was so little prepared for this result, that when it took place, they resorted to the most violent means to correct it. On the 21st of May, an arrêt was issued, declaring that the bank notes in circulation should in future pass at only half their nominal value. Now this was not, in fact, a greater diminution of the value

of the notes than the arrêt of the 5th of March preceding, which had directed the mark of silver to be worth 80 livres, instead of 40. On the 4th of March, the holder of 40 livres in notes could demand of the bank a mark of silver. On the 5th of March he could demand only $\frac{1}{2}$ a mark. So on the 20th of May, the holder of 65 livres in notes was entitled to a mark of silver. On the 21st, he was entitled to only $\frac{1}{2}$ a mark. The first operation diminished the value of the notes directly only as compared with silver. The second diminished their value directly, not only in silver, but in every thing else. The first was injurious to creditors ; the second to debtors. In the first case, the holder of the notes, so far as he was a debtor, could throw his loss, or much more than his loss, upon his creditors ; in the second case, so far as he was a creditor, he could reimburse himself, or much more than reimburse himself, from his debtors. But in both cases, as between him and the bank, he was equally defrauded ; and as the arrêt of the 5th of March had not interfered with the circulation of the notes, the government probably expected that of the 21st of May to create as little

alarm. But they were mistaken. Though the French public were too ignorant to perceive the consequences of raising the nominal value of silver, they understood those of sinking the nominal value of notes. Up to the 21st. of May, holders of commodities possessing intrinsic value seem to have given them in exchange for the notes, in blind confidence that others would do the same. Others did not, in fact, do the same, for as prices kept rising, the man who in December had sold a given quantity of corn for one thousand francs in notes, would not have been able in February to purchase an equal quantity of corn, or of any other commodity, with the same notes. Strange, however, as it may appear, the deterioration of the notes in value does not appear to have affected their circulation. All that people looked to was nominal value, and while the notes were called livres, nobody inquired what a livre meant. But the instant the denomination was altered; the instant government declared that a note for ten livres should be worth only five, the baselessness of the paper fabric was detected. The terror was as universal and as blind as the

confidence had been. To use Sir James Steuart's words, on the 22d day of May, a man with one hundred millions of bank notes might have starved in the streets. The Regent and his ministers, as much alarmed as the people at the tremendous machinery they had set in motion, tried the most arbitrary and the most inconsistent expedients to control it. They revoked the arrêt of the 21st of May, and at the same time raised the denomination of the coin, by declaring that the mark of silver should be worth 82½ livres. To stop the run on the bank, they ordered its payments to be suspended. And when 9000 livres in paper would purchase only 82½ in silver, an arrêt was issued, prohibiting any person from refusing to take the notes at par, under a penalty of double the value of the notes refused. Under a similar forfeiture all persons were commanded to bring back whatever funds they had exported, and forbidden to make any investments in foreign securities. All persons were forbidden to meet together, and soldiers were employed to prevent and disperse all assemblies of merchants and brokers. And when it was found that confi-

dence could not be restored by forbidding people to communicate their fears, and that the credit of the notes was irretrievable, the transaction was wound up by the arrêt of the 10th. of October, 1720, which, after providing, not for the payment, but for the investment, at a very low interest, of the outstanding notes, declared that after the 1st of December following, they should have no value.

The next great financial bubble of France was the issue of Assignâts. A few years before 1789, the specie current in France had been estimated at 2200 millions of livres, or about 88 millions sterling. The revolutionary government possessed great wealth in confiscated property, but wanted money. To supply this want, and to create a market for the confiscations, they issued notes in the following form :

“ National property Assignât of 100 francs.”

These notes were a legal tender, and in that respect resembled every other paper currency having a forced circulation ; but they differed from all others in not even professing to represent any specified thing. The words “ National property”

signified that their value might be obtained by purchasing with them the confiscated property at the auctions of such property, which were constantly occurring. But there was no reason why that value should have been called 100 francs. It depended on the comparative quantity of the property so purchasable, and the number of assignâts issued. They were first issued in May, 1790, and the amount was fixed by law at 400 millions French, or sixteen millions sterling. In September, 1790, 1200 millions French had been issued; in 1793, 3626 millions; in 1794, 8817 millions and a half; in 1795, 19,699 millions and a half; and on the 7th of September, 1796, the issue had amounted to 45,579 millions, or about £1,823,160⁰⁰ 1/2 sterling*.

We have seen the consequences of the issue by Law of paper of the nominal value of 2200 millions of livres,—we may conceive the consequences of issuing 45,000 millions.

The value of assignâts fell from day to day. The prices of commodities rose in proportion,

* Storch, vol. iv. p. 162.

not merely to the existing depreciation, but to the well-founded apprehension of a still further depreciation.

When the supply of a durable commodity is suddenly increased, the ^{price} value falls, but not necessarily in proportion to the additional supply. Unless the causes of the additional supply are ascertained to be permanent, most of the dealers prefer holding their existing stock, in the hope that the market may alter, to parting with it at a certain loss. But when a commodity is perishable, no loss can be so complete, or so certain, as to retain it. A small increase of supply may create such a competition among the sellers, as to reduce the price to nothing. A fish market might be so over supplied as to reduce the sellers to give away a portion of their stock, or even to pay people to remove it from their stalls. Assignats were a most perishable commodity. Every body taxed his ingenuity to find employment for a currency, of which the value evaporated from hour to hour. It was passed on as it was received, as if it burned every one's hands who touched it. Those who had never engaged in business, became

speculators. Others purchased estates, built houses, or bought pictures and furniture. What was yesterday an extravagance became a bargain to-day. No one scrupled any expense, even for mere transitory pleasure, if it afforded a means of investing or spending, or in any way getting rid of what he possessed in assignats*.

Those who depended on fixed money payments were reduced to beggary, and beggary, at periods of general distress, is starvation. Every morning there were found in the waters, and on the shores of the Seine, the bodies of wretches who had preferred death by suicide to death by hunger†. The state of the labouring classes was scarcely more tolerable. An increase in the rate of wages is never contemporary, even under the most favourable circumstances, with a forced depreciation of money. The labourers, generally speaking, have but weak means of combining to demand higher wages, or of persisting in their combination, if the advance be refused; while capitalists are almost always combined to resist the advance, and

* Say, *Traité d'Economie Politique*, vol. i. 202.

† Storch, vol. iv. 163.

have funds to stand out in their resistance. And in the general disorganization of both the internal and the external commerce of France, which marked the periods which I am describing, the funds for the maintenance of labour, and the average rate of wages must have fallen off, even if the currency had remained metallic, and at its former standard. The sovereign people felt and acted with the usual folly and violence of a despot. The depreciation of the assignâts was attributed to the conspiracies of the Aristocrats, and to the intrigues of Mr. Pitt. The rise of prices was explained by the favourite theory of a monopoly; and it was thought that all this could be remedied by terror, by substituting fine, imprisonment, confiscation, and death, for the ordinary motives to commercial transactions. "If provisions and commodities are wanting," said the Procureur-General Chaunette, "on whom will the people, the legislator people, lay the blame?" "On the authorities?—no. On the convention?" "—no. It shall lie on the merchants and the dealers. Rousseau was one of the mass of the people, and he well said, 'when the mass of

“ ‘ the people have nothing else to eat, they must
“ ‘ feed on the rich *.’ ” To prevent the constantly increasing difference between the value of paper and metallic money, the purchasing assignâts with money at less than their nominal value, or the sale of money for more than its nominal value in assignâts, or the making any difference in price according as that price was to be paid in money, or in assignâts, was made a crime punishable by six years’ imprisonment in irons †.

To prevent the hoarding of the precious metals, all concealed gold and silver, in whatever form, became forfeited, half to the state, and the other half to the informer. These measures had the success that might have been expected. The law against taking assignâts at less than par, was passed in April 1793. In the following June, 100 francs in silver were worth 300 in paper. In August they were worth 600 ‡. The failure of the law seems to have been attributed to its mildness. The punishment was raised to twenty years’ imprisonment in irons §: and in 1796,

* Thiers, vol. v. 319.

† Ib. vol. v. 117.

‡ Ib. vol. v. 117.

§ Ib. vol. v. 162.

an assignât of 100 francs, professing to be worth 4*l.* sterling, was currently exchanged for 5 sous 6 deniers, or rather less than three pence in money*.

These efforts to prevent the depreciation of assignâts in money, were accompanied by efforts, as violent as senseless, and still more mischievous to prevent their depreciation in commodities.

The first of these attempts was the celebrated maximum. By that law, which was passed in May 1793 †, when the issue of assignâts was not one-tenth of the amount to which it afterwards rose, corn was directed to be sold exclusively, in open market, at a price to be fixed by each commune; or, as we should say, by the vestry of each parish, according to the average price of the four months of January, February, March, and April, preceding the enactment.

As that price was even then grossly inadequate, and became more so every day, the markets were of course unsupplied. This was attributed to what the French call *accaparement*, and we, when with equal wisdom we made it a crime, called *engross-*

* Storch, vol. iv. 162.

† Thiers, vol. v. 118.

ing. The decree * which made accaparement a crime, defined an accapareur to be "one who withdraws from circulation commodities of the first necessity, and does not publicly sell them;" and it defined commodities of the first necessity to be, bread, wine, butcher's meat, corn, flour, leguminous vegetables, fruit, charcoal, wood, butter, tallow, hemp, flax, salt, leather, liquors, salted provisions, cloth, wool, and all clothing except silk. Every dealer was bound to make periodical declarations of his stock, which the communes were to verify by search; and each commune was to appoint persons who were to fix such prices to each article, as would leave a moderate profit to the dealer, but not exceed the means of the people. "If, however," added the decree, "the cost of production be such as to leave no profit to the dealer, the commodity must still be sold at such a price as the purchaser can afford." And any violation of the decree, any refusal to sell, any concealment of stock, or even the being accessory to any such violation, was punished by death.

* Thiers, vol. v. 163.

Of course the majority of the shops were shut, and in those which continued open only the worst articles were exposed to public sale, and all that was tolerable was reserved to be sold in secret bargains to those who still retained the means, and were willing to incur the risk of becoming purchasers at the metallic value.

The convention appear to have thought that the inefficiency of the law arose from the maximum having been imposed on the finished commodities in the dealer's hands, leaving the charges of production and transport unregulated. Commissioners were directed to be appointed in every parish to state the prime cost of all the enumerated commodities at the place of production, according to the prices of 1790, that is, according to metallic prices, which were not one-tenth of those which existed at the time of the decree. To this one-third was to be added (that is, not one thirtieth part of what ought to have been added) to compensate for the subsequent rise. A sum was then to be fixed for the expense of carriage to the market ; five per cent. on these sums was to be added for the profit of the wholesale merchant,

and ten per cent. for that of the retailers ; and the aggregate of these sums was to be the price of the commodity*. To diminish in some measure the competition of purchasers, the consumer was forbidden to purchase from any one but the retailer, and the retailer from any one but the wholesale dealer : even the quantity which each might purchase was defined. The grocer was forbidden to take more than twenty-five pounds of sugar at once from the sugar merchant, and the seller of lemonade more than ten : and the authorities gave to each intended purchaser a certificate specifying the amount that he might purchase.

As the French subsist chiefly on bread, the bakers' shops were the principal subjects of legislation. They were not to be entered without a certificate, which at the same time was a test of the good political principles of the bearer, and specified the quantity that he might purchase. A long rope was extended from the counter into the street which the file of candidates for purchase

* Thiers, vol. v. 321.

were to lay hold of, in order to ensure their entering the shop in fair succession*. But it was found that persons spent whole nights in the street, in vain attempts to make their entrance. Sometimes the rope was cut through wantonness or malice, and the feeble were suffocated or trampled to death in the consequent struggles; and the disorder became the more frightful when, as a remedy, it was decreed that the last comers should be served first. To prevent the closing the shops, every person who, having been a year in trade, discontinued or diminished his business, was declared a suspected person†; and this when suspicion was imprisonment, and imprisonment the guillotine. At length, even the revolutionary government seem to have felt the impossibility of using fear instead of hope as the motive of production and exchange. The assignâts, having sunk below one three-hundredth part of their nominal value, were called in‡, the government offering to take them at one per cent. in payment of a forced loan which, in violation of all resem-

* Thiers, vol. v. 120.

† Ib. vol. v. 320.

‡ Storch, vol. iv. 164.

blance to honesty, was imposed in money, and to give mandâts, a new species of paper money, in exchange for them at the rate of three per cent. The ultimate result was, that of the whole 15,579,000,000, 12,744,000,000 were, in some way or other discharged: the remaining 32,835,000,000 of the nominal value of about £1,313,000,000 sterling, about twice the amount of our national debt, remained waste paper in the holder's hands.

The mandâts were of the nominal value of 2,400,000,000 French, or about £96,000,000 sterling: they were directions to the authorities to put the bearers into possession, without auction, of a definite portion of the confiscated estates. Such, however, were the comparative values in money of the property and the mandâts, that they came out at a discount, and gradually sunk to less than a seventieth of their nominal value. They were issued on the 9th of June, 1796, and were extinguished, partly in the purchase of confiscated property, and partly in the payment of taxes, before the end of the following September*.

* Storch, vol. iv. 164, from whom the rest of the lecture is taken.

The length of the details into which I have been led as to the paper currency of France, forces me to pass quickly over the history of the other paper currencies of the continent. Catherine II. gave Russia a paper currency, and, by the moderation of her issues, for some time kept it at par; but in 1814, the period at which Storch closes his narrative, four roubles in paper were worth only one in silver*.

The Bank of Copenhagen was founded in 1736. Nine years afterwards the government freed it from the obligation of paying its notes in full. In 1773, the king, thinking probably the privilege of issuing an inconvertible paper money too valuable for a private corporation, took the bank into his own hands. In October 1813, a dollar in silver was worth 1600 dollars in paper †.

The Austrian paper money owes its origin to Maria Theresa. In 1810 a florin in silver was worth thirteen florins in paper. In 1811 the government called in the existing paper money, and directed it to be exchanged, at one-fifth of its nominal value, for a new paper money; and in

* Storch, vol. iv. 233.

† Ib. vol. iv. 195.

1812, eight florins in paper were worth only one in silver.

These examples are enough to show that the depreciation of our paper money, great and disastrous as it was, was far less than has usually attended an inconvertible paper currency ; and if on any future war a new bank restriction is proposed, I hope it will be recollected that the evils which that unhappy measure actually produced, great as they were and continue to be, bear no proportion to those which the example of other nations shews us to have been exposed to.

NOTE to page 6.

Few doctrines appear to me more evidently erroneous than that any considerable variation in the amount of wages can be compensated by a rise or fall of profits. The usual supposition is, as I observed in the text, that the capitalist, at an average, advances the wages of his labourers for one year, and receives, after deducting rent, one-tenth of the value of what they produce. I am inclined to think, that the average rate of profit is rather greater, and the average period of advance rather less. After making many inquiries on these subjects in Manchester, I found the general opinion to be, that the manufacturing capitalist turns his capital, at an average, twice in the year, and receives on each operation a profit of 5 per cent.; and that the shopkeeper, at an average, turns his capital four times in a year, and receives on each operation a profit of about $3\frac{1}{2}$ per cent. On these data, the labourer's share would, of course, be much greater than according to the ordinary estimate. We will suppose, however, that estimate to be correct, and that, after rent has been deducted, the labourer receives, at an average, nine-tenths of the value of what he produces. Under these circumstances, a rise in the amount of wages, amounting to one-tenth, or from 10s. to 11s. a week, if that rise is to be deducted from the capitalist's share, would utterly destroy all profit what-

ever. A rise of one-fifth, or from 10s. to 12s. a week, would occasion to the capitalist a loss equal to the whole amount of his former profit. A fall in wages of one-tenth would double profits; a fall of one-fifth would treble them. Now we know that general variations in the amount of wages to the amount of one-tenth or one-fifth, or to a greater extent, are not of unfrequent occurrence. Yet who ever heard of their producing such an effect on profits?

And yet this doctrine has received the sanction both of theoretic and practical men. Mr. Francis Place is asked by the Committee on Artizans and Machinery (First Report, p. 46)*, "Do not the masters in consequence of a rise of wages raise their prices?"

"No," he answers, "I believe there is no principle of political economy better established than this of wages; increase of wages must come from profits."

Did Mr. Place ever apply this doctrine when his men asked for higher wages on a general mourning? Even the Committee appear to have taken this view of the question. The subject is so important, that I will venture to extract the following passage from the Report made in the following Session:—

"Those eminent persons, who, during the last fifty years, have reduced the rules that govern the operations of trade and industry to a science, undertake to show, by arguments and facts, that the effect of low wages is not a low price of the commodity to which they are applied, but the raising of the average rate of

* Session of 1824.

“ profits in the country in which they exist. The explanation of this proposition occupies a large portion of the justly-celebrated work of the late Mr. Ricardo, on the Principles of Political Economy ; and is also ably set forth in the following evidence of Mr. M'Culloch, to which your committee particularly desire to draw the attention of the house :

“ ‘ Have you turned your attention to the effect of fluctuations in the rate of wages on the price of commodities ?—I have.

“ ‘ Do you consider that when wages rise, the price of commodities will proportionally increase ?—I do not think that a real rise of wages has any effect whatever, or but a very imperceptible one, on the price of commodities.

“ ‘ Then, supposing wages to be really lower in France than in this country, do you think that that circumstance would give the French any advantage over us in the foreign market ?—No, I do not ; I do not think it would give them any advantage whatever. I think it would occasion a different distribution of the produce of industry in France from what would obtain in England, but that would be all. In France, the labourers would get a less proportion of the produce of industry, and the capitalists a larger proportion.

“ ‘ Could not the French manufacturer, if he gets his labour for less than the English manufacturer, afford to sell his goods for less ?—As the value of goods is made up wholly of labour and profit, the whole and only effect of a French manufacturer getting his

“ ‘labour for less than an English manufacturer, is to
“ ‘enable him to make more profit than the English
“ ‘manufacturer can make, but not to lower the price
“ ‘of his goods. The low rate of wages in France goes
“ ‘to establish a high rate of profits in all branches of
“ ‘industry in France.

“ ‘What conclusion do you come to in making a
“ ‘comparison between wages in England and wages in
“ ‘France?—I come to this conclusion, that if it be true,
“ ‘that wages are really higher in England than in France,
“ ‘the only effect of that would be to lower the profits
“ ‘of capital in England below their level in France, but
“ ‘that will have no effect whatever on the price of the
“ ‘commodities produced in either country.

“ ‘When you say that wages do not affect prices, what
“ ‘is it that does affect prices?—An increase or diminu-
“ ‘tion of the quantity of labour necessary to the produc-
“ ‘tion of the commodity.

“ ‘Supposing that there was a free export of ma-
“ ‘chinery, so that France could get that machinery, do
“ ‘you think that under those circumstances we should
“ ‘retain those advantages which we possess at the
“ ‘present moment?—Yes, we should; for the export
“ ‘of the machinery would not lower our wages, or
“ ‘increase the wages in France, so that we should pre-
“ ‘serve that advantage to the full extent that we have it
“ ‘at this moment.

“ ‘Will you explain to the committee why you are of
“ ‘opinion that the French manufacturer would not
“ ‘undersell the English, seeing that his profits are larger

“ ‘than the English manufacturer?—Because if he
 “ ‘were to offer to undersell the English, he can only do
 “ ‘it by consenting to accept a less rate of profit on his
 “ ‘capital, than the other French capitalists are making
 “ ‘on theirs, and I cannot suppose a man of common
 “ ‘sense would act upon such a principle.

“ ‘Are the committee to understand, that although a
 “ ‘French manufacturer pays half the wages to his men
 “ ‘in France, which our manufacturers do in England,
 “ ‘yet that his wages being on a par, or a level, in
 “ ‘general, with the other wages in France, will render
 “ ‘his profits on a par with them, and consequently he
 “ ‘would not undersell the English merchant by lower-
 “ ‘ing his profits below the average rate of profits in
 “ ‘France?—Precisely so. I believe, in point of fact,
 “ ‘there is no such difference; but he could not under-
 “ ‘sell the English manufacturer unless he took lower
 “ ‘profits than all other producers in France were making.
 “ ‘I might illustrate this by what takes place every day
 “ ‘in England, where you never find the proprietor of
 “ ‘rich land, in order to get rid of his produce, offering
 “ ‘it in Mark-lane at a lower rate than that which is got
 “ ‘by a farmer or proprietor of the very worst land in
 “ ‘the kingdom.

“ ‘Would it not produce a larger sale if the French
 “ ‘manufacturer were to sell at a less price?—Supposing
 “ ‘that to be so, the greater the sale the greater would
 “ ‘be the loss of profit.’ ” *

* Report from Select Committee on Export of Tools and Machinery. Session of 1825, pp. 13, 14.

I have extracted this passage rather as indicative of the views of the Committee, than of those of Mr. M'Culloch. Mr. M'Culloch, as will appear on turning to his evidence, meant by wages *really high* and *really low*, not a larger or a smaller amount, but a larger or a smaller proportion. But the Committee appear to have understood him to mean a larger or a smaller amount.

Mr. Bradbury had previously stated the common day wages in France to be about half the wages paid in England.

He was asked—“In what way do you consider that lower wages in France give the French manufacturers an advantage over English manufacturers?”

“I conceive that, if they pay 3*d.* a pound for spinning to the operative spinner, and we pay 6*d.*, that would give them an advantage of 3*d.* a pound in the cost.

“You mean to say, that the French would be able to sell the article they make, in consequence of paying lower wages, cheaper than the English could sell it?”

“They could afford it 3*d.* a pound cheaper.

“You mean to say, that, according to the rate of wages paid, the price of the article for which they are paid is high or low?”

“It may be afforded higher or lower, I should imagine, as the cost be more or less.

“Therefore, the whole reason and ground on which you think that low wages give them an advantage, is,

H

“ that low wages contribute to enable them to sell the article cheaper than if they paid higher wages ?

“ Yes; labour constituting a material feature in the cost.

“ You conceive that increased cost would be a loss to the party, if the price was not increased in proportion ?

“ I should imagine so.

“ *Might not the profits of the proprietor be lessened ?*

“ *They might be lessened, which is in effect a loss.*

“ *Might not that enable him to bear the loss which the difference of wages produces* ?*

“ *If he chose to make that sacrifice.*

“ Might not the profits be lessened until there were no profits at all ? †

“ Very easily I should think.”—(Fifth Report of the select Committee on Artizans and Machinery, p. 547, 549, 550.)

It was with reference to this evidence that Mr.

* In other words, “ Might not the loss enable him to bear the loss ? ”

† This question appears to have come from a different interrogator. In justice to the clear and intelligent evidence of Mr. Bradbury, I should observe that he was far from falling into the common error, that a generally high rate of wages can be unfavourable to a country. He set out by supposing that with the assistance of English machinery and English superintendents, the labour of the French spinners might be as productive as that of the English spinners. Under such circumstances, if their wages could remain at one half of English wages, he believed that the French manufacturer could undersell the English manufacturer. Of the accuracy of this opinion I entertain no doubt, though, from the tenor of the questions, it appears not to have met with the approbation of the Committee.

M'Culloch was examined. His examination commences thus :

" Have you read the evidence which has been given before this Committee ?

" I have read portions of it only.

" Have you read the evidence given by Mr. Bradbury ?

" A part of it.

" That part in which he conceives that foreigners have an advantage over the English manufacturers in consequence of wages being lower in France ?

" Yes, I have read that."

And then follows the question :

" Have you turned your attention to the effect of fluctuations in the rate of wages on the price of commodities ? "

Now if the committee understood Mr. M'Culloch to mean, by high or low wages, not a great or small amount, but a great or small proportion, his evidence and that of Mr. Bradbury had nothing in common.

The whole of the confusion has arisen from a verbal ambiguity. Mr. Ricardo has demonstrated that, in the absence of natural or artificial monopoly, all that is produced is divided between the capitalist and the labourer, and that, *ceteris paribus*, the rate of profit depends on the proportion of the produce which the capitalist receives in return for having advanced, for a given time, the labourers' wages. This doctrine, though, like almost all other truths in political science, when once stated, almost self-evident, is one of the most important discoveries of modern times. It has given to the subject of profits the

clearness which the discoveries of Mr. Malthus and Sir Edward West gave to that of rent. Most unfortunately, however, Mr. Ricardo applied the terms *high wages*, and a *rise of wages*, and *low wages* and a *fall of wages*, to an increase or diminution of the labourer's proportion, whether the amount of what he received were, or were not diminished or increased.

" It is according to the division of the whole produce
 " of the land of any particular farm between the three
 " classes of landlord, capitalist, and labourer, that we are
 " to judge of the rise or fall of rent, profit, and wages,
 " and not according to the value at which that produce
 " may be estimated in a medium which is confessedly
 " variable.

" It is not by the absolute quantity of produce obtained by either class that we can correctly judge of
 " the rate of profit, rent, and wages, but by the quantity
 " of labour required to obtain that produce. By improvements in machinery and agriculture the whole produce
 " may be doubled; but if wages, rent, and profit be also
 " doubled, the three will bear the same proportions to
 " one another as before, and neither could be said to
 " have relatively varied. But if wages partook not of the
 " whole of this increase; if they, instead of being doubled,
 " were only increased by one-half; if rent, instead
 " of being doubled, were only increased three-fourths,
 " and the remaining increase went to profit, it would, I
 " apprehend, be correct for me to say, that rent and wages
 " had fallen while profits had risen; for if we had an
 " invariable standard by which to measure the value of

“ this produce, we should find that a less value had fallen
 “ to the class of labourers and landlords, and a greater to
 “ the class of capitalists, than had been given before.
 “ We might find, for example, that though the absolute
 “ quantity of commodities had been doubled, they were
 “ the produce of precisely the former quantity of labour.
 “ Of every hundred hats, coats, and quarters of corn pro-
 “ duced, if

“ The labourers had before	25
“ The landlords	25
“ And the capitalists	50

100

“ and if, after these commodities were double the
 “ quantity, of every one hundred

“ The labourers had only	22
“ The landlords	22
“ And the capitalists	56

100

“ in that case I should say, that wages and rent had
 “ fallen and profits risen; though, in consequence of the
 “ abundance of commodities, the quantity paid to the
 “ labourer and landlord would have increased in the pro-
 “ portion of 25 to 44. Wages are to be estimated by
 “ their real value, viz., by the quantity of labour and
 “ capital employed in producing them, and not by their
 “ nominal value either in coats, hats, money, or corn.
 “ Under the circumstances I have just supposed, com-
 “ modities would have fallen to half their former value,
 “ and if money had not varied, to half their former price.
 “ If, then, in this medium, which had not varied in value,
 “ the wages of the labourer should be found to have

"fallen, it will not be less a real fall, because they might furnish him with a greater quantity of cheap commodities than his former wages *."

According to this nomenclature, if one labourer were to receive 30*l.* a year, and the produce of his labour to sell at the end of the year for 40*l.*, and another were to receive 60*l.* a year, and the produce of his labour to sell for 100*l.*, the first labourer would be said to receive higher wages than the second; and if the wages of the second were to be altered from 60*l.* to 40*l.* a year, and the commodity to sell for 50*l.*, the alteration must be termed a rise of wages. According to this nomenclature, the wages of the best workmen are always the lowest, for it is known to be more profitable to employ them. This strange use of words must have been perplexing, even if Mr. Ricardo's language had been consistent. But it is almost impossible to affix to terms of familiar use a perfectly new meaning, and not from time to time to slide into the old one. When Mr. Ricardo says, that "nothing can affect profits but a rise of wages," p. 118; that "whatever raises the wages of labour lowers the profits of stock," p. 231; that "high wages invariably affect the employers of labour by depriving them of a portion of their real profits," p. 129; that "as the wages of labour fall the profits of stock rise, and they are together always of the same value," p. 499, he means by high wages a large proportion. But when he speaks of the "encouragement which high wages give to the increase of population," pp. 88, 361; when he admits, that "on

* "Principles of Political Econ." p. 48—51.

"an increase of population wages fall," p. 494; he means by high or low wages a large or small amount.

Mr. M'Culloch has stated, with great clearness, the difference between proportional wages and real wages, or wages estimated in money or in quantities of produce. And he adds, with equal accuracy, "If the productiveness of industry were to diminish, proportional wages might rise, notwithstanding that real wages, or the absolute amount of the produce of industry falling to the share of the labourer, might be diminished; and if, on the other hand, the productiveness of industry were to increase, proportional wages might be diminished, while real wages might, at the same time, be increased." *Principles, &c.* p. 365. And he generally uses the words "high and low wages" to express, not a large or small proportion, but a large or small amount. It is in this sense that he contrasts (p. 353) the low wages of Hindostan with the high wages of America. But is this use of language consistent with his statement (p. 322) that the high wages we pay to our workmen cause low profits? Or, is it consistent with the inferences drawn by the Committee from his evidence?

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THREE LECTURES

ON THE

TRANSMISSION OF THE PRECIOUS METALS

FROM COUNTRY TO COUNTRY,

AND THE

MERCANTILE THEORY OF WEALTH,

*DELIVERED BEFORE THE UNIVERSITY OF OXFORD
IN JUNE, 1827.*

BY

NASSAU WILLIAM SENIOR,

LATE FELLOW OF MAGDALEN COLLEGE, A.M., PROFESSOR
OF POLITICAL ECONOMY.

"He shewed me a very excellent argument to prove that our importing less than we export do not impoverish the kingdom, which, though it be a paradox, and that I do not remember the argument, yet methought there was a great deal in what he said."—*PERYS's Memoirs*, vol. i. p. 284.

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ADVERTISEMENT.

THE Statute by which the Professorship of Political Economy is founded, requires the Professor to publish a Lecture every year. In compliance with this requisition I have selected from the course delivered in June, 1827, the portion which appeared to me least unfit for separate publication. As a fragment, it is necessarily imperfect. My apology for presenting it to the Public is the necessity imposed on me by the Statute.

N. W. SENIOR.

MAGDALEN COLLEGE,
March 20, 1828.

LECTURE I.

TRANSMISSION OF THE PRECIOUS METALS FROM COUNTRY TO COUNTRY.

I PROPOSE, in the present Lecture, to consider the effect of the actual transmission of the precious metals from one country to another. An inquiry peculiarly interesting at present, as it leads to conclusions decisive of the controversy now eagerly maintained on Free Trade. The argument runs generally in the following form.

The advocate of freedom dwells on the benefit of making full use of our own peculiar advantages of situation, wealth, and skill, and availing ourselves to the utmost of those possessed by our neighbours. He asks whether we should

act wisely, if we were to declare ourselves independent of foreigners for wine, to devote our mineral treasures, and our industry, to the forcing of grapes for the production of home-made port and claret, and discontinue the manufacture of cottons and woollens for the markets of Oporto and Bourdeaux? And he urges that the same absurdity in kind belongs to every protecting duty and prohibition. He observes, in the words of Adam Smith *, that it is the maxim of every prudent master of a family, never to make at home, what it will cost him more to make than to buy. The tailor does not make his own shoes, but buys them of the shoemaker. The shoemaker does not make his own clothes, but buys them of the tailor. The farmer attempts to make neither the one nor the other, but employs those different artificers. All of them find it their interest to employ their whole industry in a way in which they have some advantage over their neighbours, and to purchase with a part of

* Book iv. chap. 2.

its produce, whatever else they have occasion for. And he infers, that what is prudence in the conduct of every private family, can scarcely be folly in that of a great kingdom.

The advocate of restriction and prohibition admits that if the interest of the consumers were alone to be considered, the law ought not to force the production at home, of what can be obtained better, or more cheaply, from abroad. But he urges, that the opulence of the whole community is best promoted by encouraging its domestic industry. And that the industry of each class of producers is best encouraged by giving them the command of the home market, undisturbed by foreign competition.

His opponent replies, that it is impossible to encourage the industry of one class of producers, by means of commercial restrictions, without discouraging, to an equal degree, the exertions of others. That every prohibition of importation is a prohibition of exportation. That every restriction on the importation of French silks is a

restriction on the exportation of those articles with which those silks would have been purchased. That if it benefit the English silk manufacturer, it injures, to at least an equal amount, in the whole, though the injury is less perceptible, because more widely diffused, the cotton-spinner, the cutler, or the clothier. That the whole body of producers, therefore, as an aggregate, suffer in their capacity of consumers without compensation.

The really candid defender of restriction (and I am inclined to think that such persons do exist) admits perhaps the force of this argument, as applied to nations willing to take in exchange our commodities. To them he is willing to open our market on a footing, as he calls it, of reciprocity. But he urges, that there are many who refuse our commodities ; and while they persist in this ungrateful refusal, he retaliates by not accepting theirs.

The advocate of free trade replies, that the benefit of commerce consists, not in what is

given, but in what is received: that if the foreigner refuse to accept our commodities, he must either refuse us his own, or give them to us for nothing; that, in the first case, the abolition of commercial restrictions can produce no evil, in the second, it must produce a manifest good.

He would do neither, replies his adversary, he would deluge us with his goods, and receive payment for them in our money.

The dispute which I have supposed, and which corresponds, step by step, with almost all those which I have witnessed on this question, coincides at this point with the subject of the present Lecture. And, quitting my imaginary opponent and respondent, I proceed to consider the effect of the transmission of the precious metals from one country to another.

I will suppose that all the protecting duties, with which we have clogged our commerce with France, are suddenly removed, and that the removal is immediately followed by an increased importation of French commodities to the amount

of five millions sterling. And I will suppose the commercial restrictions on the part of France (and she is at least our equal in protecting her own industry by interfering with its natural direction) to remain unaltered. I will suppose, too, that the five millions in question are actually remitted in money.

It must be admitted that the efflux of so large a sum from England, and its influx into France, must sink all English prices, and occasion a general rise of prices in France. Indeed, if it did not, the transaction would be one of pure benefit to England, and of pure loss to France. As money is not a source of gratification, but a mere instrument of commerce, if our prices were not affected by parting with a portion of our money, we should be insensible of our loss ; or rather we should have sustained no loss whatever, and have gained the five millions worth of French commodities without any real sacrifice, while France would have parted with those commodities, and received no sensible equivalent.

But those who fear that a nation may be injured by parting with its money, are certainly right in supposing that the transmission of five millions in specie from England to France would occasion a general fall of prices in England, and a general rise in France. The steps, by which these effects would be produced in each country, cannot properly be stated in this part of my Lectures, but I suppose there is no one present who doubts that such would be the case.

The consequence would be an immediate and universal increase of imports and diminution of exports, in France, and an immediate and universal increase of exports, and diminution of imports, in England. The commerce, which any country carries on with its neighbours, must depend on the prices of their respective exportable commodities. When commodities of the same quality, or which may be substitutes for one another, can be imported from different quarters, a slight variation of price will decide

which shall be preferred. If linen of the same quality can be imported into South America indifferently from Germany and from France, and the cost of transport from each country is the same, while the price per yard is also the same, South America will probably import indifferently from each country; but if the influx of money should raise the price of linen of a given quality from two shillings to two shillings and a farthing per yard in France, while it remained at two shillings in Germany, South America would instantly desert the French market, and confine her linen trade to Germany.

With every commercial rival, with whom France was formerly on a par, she would now be at a disadvantage, and many would now meet her in markets from which she had formerly excluded them. The same consequences, though to a less extent, would follow, even in the cases in which France had exclusive powers of production. Every commodity has among its purchasers some whose desire for it, or at least for that vari-

able quantity of it which they consume, induces them to spend on it a given portion of their income, and no more. On the slightest rise of price they either discontinue or diminish their consumption. A very slight rise in the price of claret would occasion some to drink less, and others to drink none. Precisely the same causes which would diminish the exports of France, would increase her imports. However earnestly a nation may endeavour to secure to its own productive classes the monopoly in what they respectively produce, it cannot really protect them against foreign competition by any measure short of the prohibition of all foreign commerce. The consumer cannot be forced to buy the dearer or inferior home-made article. (If he is prohibited from importing precisely what he wants, he may still make his purchase abroad.²²) The increased price in France of all home commodities would, of course, stimulate the consumption of foreign ones. The bills on France in other countries would increase, those on other countries in

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France would diminish, and the exchange would be against France throughout the commercial world. It is impossible that, under such circumstances, she could retain for a month the five millions which I have supposed to have been paid to her. They would flow from her in every direction.

In fact, until she parted with the money, France would have derived, not benefit, but rather evil, from her export to England. That money is a means not an end; that no gratification is afforded by an increase in the quantity necessary to effect a given purpose; that it is just as pleasant to purchase a given commodity for five shillings as for fifty, are truisms, but truisms so often impliedly denied, that they cannot be too often repeated. The rise of prices in France, while it lasted, must have been an evil. It must have deranged, so far as it went, the existing relations of society, have impoverished creditors, and those whose incomes were fixed, and, to a certain extent, unfitted money to perform its func-

tion of a permanent expression or standard of value. If no other results were to have followed from the sacrifice of so much French industry, France had better have given away than have sold her five millions' worth of silks. The sale of the silks would become advantageous to her only, when, by re-exporting their price, she had obtained from other countries commodities capable of affording her more gratification than she could have derived from the industry of the silk-manufacturers, if she had employed them in manufacturing silks, or other commodities, for her own home market.

It is obvious that all this time precisely an opposite process would be going on in England. The general fall in English prices would give a preference to our goods in every market of which they had merely an equal participation before ; it would admit them to many others from which they were previously excluded. It would exclude from the English market many foreign commodities, which could now be obtained more cheaply

at home. While the bills in England on foreign countries were increasing, the foreign bills on England would diminish, the exchange would be in our favour with the whole world, and the five millions would come back as rapidly as they went out. To suppose that the level of the precious metals in the commercial world can be permanently disturbed by taking money from one country to another, is as absurd as to suppose that the level of a pond can be altered by taking a bucket-full from one place and pouring it in at another. The water instantly rushes to the place from which the bucket-full has been drawn, just as it rushes from the place into which it has been poured. Every country to which France exported any of the money she received from England would, to that extent, have more money than her habitual state of prices could allow. It would flow from her either directly to England, or to those countries which were in want of money in consequence of having previously exported it to England.

It appears therefore, that even in the extravagant case which I have supposed of an export of five millions in money, the loss, if it can be called one, would be immediately repaired. The only inconvenience that we should suffer from the refusal of France to take our cottons and our hardware in return for her silks, would be that instead of the direct exchange of English for French commodities, we should give to France money; France would export that money to Germany, Holland, and Russia; and Germany, Holland, and Russia would return us that money in exchange for our manufactures; that our trade would in short be circuitous, instead of direct.

For the sake of illustration I have supposed a sudden and great transmission of money: effects the same in kind, though less in degree, would of course follow a more gradual one. If a balance of only 100,000 sovereigns a year were sent to France, similar consequences, though less palpable, would follow either immediately, or

as soon as the annual efflux of money from the one country to the other amounted to a sufficient sum to affect the prices of either country, or of both.

It would appear, therefore, that the exchange between two countries can never long deviate from its commercial par.

There are, however, exceptions to this rule; some real, others merely nominal.

A nominal deviation from the par of exchange arises from the difficulty of changing mercantile language. The existing commercial par of exchange between London and Paris is about 25 francs 47½ centimes (say 25 francs and a half) for a sovereign. But should any of the data on which this par is calculated be changed, should the quantity of bullion contained in the money of either nation be altered without the denomination of the pieces being changed,—if we should, for instance, put only 56½ grains of pure gold instead of 113 into our gold pieces, and still call them sovereigns, or should the rela-

tive values of gold and silver alter, should silver exchange for $\frac{1}{3}$ rd of its weight in gold instead of its present value, about $\frac{1}{16}$ th, it is clear that the par between the countries would be altered. In either case the real par would probably be only $12\frac{3}{4}$ francs for the sovereign, and this is the rate at which bills would be exchanged when the commerce of the two countries was in equilibrium. But if mercantile language were to remain unaltered, and 25 francs and a half for a sovereign were still called the par of exchange, it is clear that the ordinary rate of exchange between England and France would be 50 per cent. against England, and in favour of France; or in other words, the real par of exchange would vary 50 per cent. from the nominal par. England would suffer no evil, and France would reap no advantage from this state of things, which would be merely the continuance of an obsolete nomenclature. The only inconvenience would be the chance of misleading subsequent writers on exchange, who might not be aware

that during the period in question commercial language had misrepresented the facts of the case.

Again, the real exchange between two nations may be, and indeed must be, permanently unfavourable to the one, and consequently favourable to the other, if there be any cause which occasions the precious metals to flow constantly from the one to the other. This must be the case between the mining countries and those countries with which they maintain a direct intercourse. As the principal trade of Mexico is the production and exportation of silver, the value of silver, estimated in silver, must always be lower in Mexico than in the countries to which it has been exported from Mexico, just as it must always be lower at Real del Monte than at the door of the Mexican Mint, and lower at the Mint than at Vera Cruz. A partial result of the same kind must be produced in those countries through which the precious metals pass. Russia is one of the principal

channels through which the precious metals pass from America to Asia. The real exchange must, therefore, be in general in her favour on her European frontier, by which she receives the metals, and against her on her Asiatic frontier, by which she exports them.

The mining countries are the only exception to the rule that no country can have an ^{real} exchange permanently favourable or unfavourable, with the whole world. We have seen that a universal balance in favour of any country must soon so raise all her prices, as to exclude all her commodities from every foreign market, and to offer irresistible temptation to the introduction of foreign commodities into her own market. Instead of her stock of the precious metals increasing, it must diminish. A universal balance against any country must soon so exhaust her stock of the precious metals, and consequently lower her prices, as to diminish and gradually destroy her motives for purchasing foreign commodities, while it increased the motives of all other countries to

purchase hers. To suppose that it is possible to go on for ever buying without selling, or selling without buying, or even buying more than you sell, or selling more than you buy, are all equally irrational.

But though no country except a mining country can have its exchange with all other countries permanently favourable or unfavourable, the tendency of every efflux of the precious metals to occasion a proportionate influx has one exception ; namely, the case of a nation in which the stock of money has become larger or smaller than is requisite to enable her prices to bear their natural proportion to those of the rest of the commercial world. The functions of money, as a measure and an expression of value, are incapable of being adequately supplied elsewhere ; but the amount of money necessary to perform them bears a very small proportion to the transactions of the country. One million of sovereigns would in general be amply sufficient to perform these services in England. They are now effected in

Scotland by a much smaller quantity. If a country have enough money to supply a measure and an expression of value, a substitute may be found for its third office, that of acting as a medium of exchange. It is obvious, indeed, that as money is a substitute for credit, credit must be a substitute for money ; and it is well known that international commerce is carried on by means of bills of exchange which are in fact merely an exchange of equal credits, with very little transmission of money. In a commercial country the actual intervention of money, except in very small payments, is avoided with almost equal success. It is probable that not one thousandth of the daily exchanges in London, in which the value of the property on either side exceeds forty shillings, are performed by means of money ; though in almost every one of them the terms are settled by a reference to money, or, to speak more correctly, in every one of them a sum of money, payable, but never actually paid, is one of the subjects of the exchange.

The obstacle to extensive transfers of credit consists in the difficulty of satisfying every successive vendor as to the circumstances and character of the person on whom the credit is tendered. This inconvenience is remedied by Bankers ;— a class of persons who, having obtained general confidence themselves, let out to other persons the benefit of that confidence. One mode in which they do this is by lending to their customers promissory notes, that is, scraps of paper containing promises on the part of the banker to pay, on demand, a given sum of money.

As long as the promise is believed, or, in other words, as long as the note is supposed to be convertible at pleasure into money, it performs the functions of money ; and as it is, unless for a very small value, more portable and less subject to loss or robbery, it is often preferred to money, and may circulate for many years, exchanged perhaps, on an average, every other day, and on every exchange effecting a new transfer of credit, until, when it has become too dirty and too ragged to be

safely handled, payment is at last required from the banker.

The issuing of notes, however, is not the principal means by which bankers facilitate the transfer of credit. As soon as the use of promissory notes and bills of exchange, or, as they are usually termed, of paper credit, has become familiar, every individual, who deals much in money, finds it convenient to keep an account with a banker, and to make his payments by drafts or checks, that is, by written directions to his banker to make the payment. If the receiver of the draft make use of the same banker, he places it in his hands, and the draft is satisfied, without any intervention of money, by a transfer in the banker's book. If he employ a different banker, the draft is still probably satisfied without the intervention of money, by periodical meetings of the different bankers, who, having each many drafts to receive and to pay, set them off against one another, and pay only the balance. It is calculated that payments are made at the clearing-house in Lom-

bard-street, to the amount of £4,500,000 sterling, every day, and on some days to the amount of £13,000,000, and that the balance actually paid seldom exceeds £200,000. And even that balance is not paid in money, but in notes of the Bank of England.

When a nation has reached a high state of commercial improvement, when it possesses, in every district, banking establishments, enjoying perfect confidence, and the use of written orders and promises, or, in common language, of paper credit, has become familiar, the use of money as a medium of exchange may be entirely dispensed with, except for those small payments which are not worth the trouble of issuing a note or a draft. And if it can be dispensed with, we may be sure that it will be so. The use of money, as I have often said before, and shall often say again, for it cannot be too frequently repeated, affords no gratification. It is a troublesome and costly mode of supplying the deficiencies of barter, and is abandoned whenever those deficiencies can be

supplied at less inconvenience or expense. "The
" gold and silver money," observes Adam Smith,
" which circulates in any country, may be com-
" pared to a highway, which, while it circulates
" and carries to market all the grass and corn of
" the country, produces itself not a single pile of
" either. The operations of banking, by pro-
" viding a sort of waggon-way through the air,
" enable the country to convert, as it were, a
" great part of its highways into good pastures
" and corn-fields, and thereby to increase, very
" considerably, the annual produce of its land
" and labour." "But," he adds that "the com-
" merce and industry of the country, though they
" may be somewhat augmented, cannot be alto-
" gether so secure, while they are thus sus-
" pended upon the Dædalian wings of paper, as
" when they travel about upon the solid ground
" of gold and silver."

The intrinsic causes which give value to a sovereign are those which occasion gold to contribute to the gratification of mankind, and make

it difficult of acquisition. Either of these may vary, and the value of the sovereign will experience a corresponding variation. But the value of a note for one hundred sovereigns is subject to vary in value, in correspondence not only with the money which it promises to pay, but with the honesty and solvency of the issuer. It may be worth a hundred sovereigns, or fifty, or nothing. The only mode of ascertaining its value in gold, is to present it for payment, and thus relinquish, *pro tanto*, the convenience of paper, an expedient which will not be resorted to while confidence exists. The grounds upon which most persons rest their confidence must be exceedingly vague. They have seldom the means of accurately ascertaining the circumstances or the character of those on whom they bestow it, and their anxiety to effect sales leads them often to accept, with little scrutiny, the medium in which payment is proposed. The confidence thus blindly given must be subject to be as blindly withdrawn. The man who has taken

notes as readily as money, because he saw them taken by others, is as ready to follow the example of others in rejecting them. The rejected notes crowd to the banker who has issued them. If they exceed in amount the money which he reserves in his coffers for their payment, and the reserve of even the most cautious banker seldom amounts to a third of the demands to which he is liable, he must provide funds by immediately calling in those debts of which he can demand immediate payment. In times of commercial prosperity, a banker whose property is equal to his engagements, and who has managed his affairs with tolerable prudence, will find no difficulty, though he may sustain some loss, in thus meeting a demand, or, to use the common expression, a run upon him, for money, however extraordinary and sudden. If he have parted with no note without having previously received the full value of what that note promised to pay, and have always advanced what he so received in loans on good security, capable of being imme-

diately called in or sold, (and these are the elementary rules for a banker's conduct,) he may indeed lose his profit, but it is scarcely probable that his creditors should suffer. But if the run occur in the time of commercial distress, and still more if it be occasioned by commercial distress, not the utmost caution that is compatible with profitable banking, or the largest amount of surplus property which is likely to belong to one individual, or even to a few individuals, will enable a banker to meet the demands of all those who are entitled to call on him for immediate payment. His debtors find it difficult to make their regular and accustomed payments, and impossible to answer an unexpected call. The securities which he sells are sunk in value, by the concurrence of an increased number of sellers, and a diminished number of buyers. He ceases to pay his notes on demand, and they do not merely sink in value, they become for a time utterly valueless. The inconvenience and loss sustained by their holders spreads

alarm among all possessed of paper currency. The demands on the issuers of notes for payment, and their inability to pay, spread like wild-fire. A great portion, perhaps the greater portion of what acted as the circulating medium of exchange throughout the country becomes valueless; and the effects are precisely the same as if an equal proportion of the metallic currency of the country had been suddenly annihilated or exported. Prices fall, the importation of commodities is checked, and their exportation is encouraged. The foreign exchanges become universally favourable, and the precious metals flow in until the void, occasioned by the destruction of the paper currency, has been filled. If from fear of the recurrence of a similar calamity, the legislature should now endeavour to limit the use of paper money, and should succeed in the attempt, the additional money thus suddenly acquired will be permanently retained. But if things are left to take their own course, as soon as the storm is over the issue of paper will recommence, and the

precious metals, for which it afforded a substitute, will be re-exported.

I have selected this from among the many cases in which the amount of the precious metals in a nation may require sudden increase or diminution, not because it is one of the most frequent ones, but because it is a tolerably accurate representation of the state of this country, so far as respects money, during the last eighteen months *. During the three years preceding 1825, and indeed in the beginning of that year, this country enjoyed remarkable commercial prosperity. Advantage had been taken of that prosperity, or rather of the general confidence which it produced, to substitute to a great degree a paper currency for the gold which previously circulated. The amount of country bank notes in circulation in 1822, as far as can be inferred from the stamp-office returns †, was about twelve millions, and, in 1825, had risen to between eighteen and nineteen mil-

* This was spoken in June, 1827.

† Tooke's Currency, p. 39.

lions. Gold to the amount of above £4,400,000 sterling was exported in one year, 1824 *, a part of it even to South America. I quoted, in my third Lecture, Mr. Tooke's account of the commercial insanity which prevailed in the beginning of 1825. Instances so numerous, and so extensive, of the misdirection of industry, have, I suppose, never occurred. Our loans to foreign states, which, as far as we are concerned, have declared themselves insolvent, the waste of our mining speculations in America and in our own dominions, the dissipation of the funds of so many joint-stock companies, all these are among the most palpable, but not the most important instances. The greatest losses were probably sustained from our excessive importation of foreign commodities, at prices extravagantly raised by the mutual competition of the importers, and from an undue extension of particular branches of manufacture,—that of silks for instance,—from a miscalculation on the part of the manufacturer either

* Mushett, Currency; p. 172.

of the quantity for which the public were ready to pay an equivalent, or of the extent of the whole concurrent additional supply.

Commercial blunders so gross and so extensive necessarily produced wide embarrassment and ruin : evils not confined to those whose miscalculation had first occasioned them, or even to their immediate work-people and dependents, but involving many, who, having acted with apparent prudence, suddenly found their market destroyed by the ruin of their expected customers. It was under these circumstances of commercial distress, that accident or malice occasioned a sudden run upon a considerable bank in the west of England. Its failure shook the credit of a great London banking-house, which, after struggling through difficulties for upwards of a week, during which it paid away, it is said, more than £1,400,000, stopped payment early in December. The notoriety of these difficulties in the first instance, and the eventual failure, spread terror among the creditors of the country banks, above

thirty in number, connected with that house, and many of them were unable to stand the run which followed. The failure of a great Yorkshire bank alarmed the northern part of the kingdom; and the consternation became general, not only among the holders of local notes, but among depositors, as well in the metropolis as in the country. Then followed that dreadful week which has been called "the panic," in which the question every morning was not, who has fallen? but, who stands?—in which nearly seventy banks suspended their payments: a state of things which if it had continued only forty-eight hours longer, would, according to Mr. Huskisson,* have put a stop to all dealings between man and man, except by barter; in which, in fact, nothing but the unexpected arrival of about 200,000 sovereigns from France, the discovery, in the cellars of the Bank of England, of 800,000 one pound notes, long before condemned to be burnt, and the inter-

* Feb. 10th, 1826. Parl. Hist. 199.

vention of a Sunday, prevented the manifest failure of an establishment, which we have been accustomed almost to consider a part of the constitution.

Most happily, the Bank of England did not stop payment, and, most happily, avowedly and notoriously its notes retained their currency, and, happily also, the directors had the courage to increase their issues. That increase, however, did not nearly equal in amount the country notes which had ceased to circulate. The effect, therefore, was the same as if a considerable portion of the currency of a country, having only a metallic currency, had been suddenly annihilated. Prices fell; the exchanges, which had been against us in our prosperity, became favourable in our adversity, and gold flowed in every direction. Many of the boxes of sovereigns, which had been exported to Paris in the previous year, returned without ever having been unpacked. I believe the influx of gold has now ceased, but it continued during the greater part of last year

As our misfortunes were attributed chiefly to our paper currency, especially to the portion of it consisting of small notes, an attempt was made immediately to limit, and ultimately to extinguish them. An act was passed, prohibiting the issue in England of any small notes, stamped or dated after two periods in the year 1826, and absolutely forbidding their use in England after the 5th of April, 1829. Scotland and Ireland were to have been included in these enactments, but successfully resisted them. If these enactments are persisted in, and if the omission of Scotland and Ireland do not render them nugatory, we shall retain the gold which our distress forced upon us, and probably require a further supply. If we revert to our former system, we shall again part with that portion of our gold which the returning use of paper will have rendered unnecessary.

This is not the place to inquire whether our small notes really produced the evils attributed to them, or whether the security afforded by an increased metallic currency is worth the expense

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of keeping it up: they are subjects of great interest and difficulty, but will find their place rather at the close, than at the beginning of these Lectures. It is clear, however, that, as a question of immediate profit and loss, the necessity of importing so much gold during the last year must have considerably aggravated the distress of the country. It could have been obtained only by the sacrifice of the results of a portion of our industry and natural advantages, to obtain what? merely the privilege of giving a sovereign where we had previously given a note or a check. It is clear, also, that if we again suffer small notes to form a considerable portion of our currency, the immediate consequence will be, that we shall export some millions of sovereigns, not only without inconvenience, but precisely because we find the use of the notes more convenient, and shall receive for them an equivalent in foreign commodities, every one of which will be a source of enjoyment. Nothing can be more correct than Adam Smith's illustration. The use of the pre-

cious metals, or of any valuable article as money, like the use of fertile land for a road, may be necessary, but is a necessary evil. To part with them always produces an immediate increase of enjoyment—to purchase them is always an immediate sacrifice.

I propose, in the next two Lectures, to consider that extraordinary monument of human absurdity, the Mercantile Theory; or, in other words, the opinion that wealth consists of gold and silver, and may be indefinitely increased by forcing their importation, and preventing their exportation: a theory which has occasioned, and still occasions, more vice, misery, and war, than all other errors put together.

LECTURE II.

MERCANTILE THEORY OF WEALTH.

AN eminent writer*, perhaps the only man whose acquirements and virtues do honour both to a Spanish and an English University, while commenting on that extraordinary passage in the History of Human Knowledge, the inattention of the ancients to the philosophy of wealth, has compared their state of mind to that of children in the house of an opulent trader, who, finding the necessaries and comforts of life supplied to them with mechanical regularity, never inquire into the machinery by which these effects are produced, or, if they ever do think about it, suppose that breakfast, dinner, and supper succeed one another by the spontaneous bounty of Nature, like spring, summer, and autumn.

* The Rev. Blanco White.

... If I might venture to carry a little farther the parallel which has been begun by so masterly a hand, I should say, that when first the children turned their attention to the sources of their comforts, finding that their father often talked of the difficulty of getting money, and seldom of the difficulty of spending it,—that he generally spoke of his fortune as consisting of the money he was worth, and that the motive which he generally assigned for refusing them any luxury was, that he had not money enough to afford it, they concluded that their enjoyments depended rather on the money which their father received, than on that which he spent; that their abundance depended on the amount of money, for the time being, in his strong box, and would be increased indefinitely, provided that amount could be indefinitely augmented and retained. The obvious mode of effecting this wise object seemed to be to cause as much money as possible to come in, and as little as possible to go out; to encourage every exchange in which their father

received money, and to discourage every one in which he parted with it: to favour his trade with his own customers, and to restrain every trade in which he was a customer himself: to forbid his parting with a single shilling that he received, and to put an end to the unfavourable commerce which he carried on with his green-grocer and his shoeblock, by turning his manufactories into a potatoe-garden, making his weavers dig, and requesting him to employ, in blacking his own shoes, some of the time which he formerly devoted to his shop.

I fear that the absurdity of my supposition may appear almost farcical. So true it is that the follies of real life are too gross not merely for fiction, but almost for hypothesis; and that whole nations may for centuries act, or endeavour to act, upon principles which it seems a mere burlesque to attribute to an individual. For in what does the mercantile system, with its prohibition of the exportation of the precious metals, its commercial treaties with those nations which are sup-

posed most likely to supply gold and silver, its prohibition and restriction of the importation of those commodities which are supposed to occasion an unfavourable balance of trade, or, in other words, a trade in which the precious metals are exported, and its bounties on the exportation of those commodities which are supposed to be paid for in gold and silver, and its attempts to render us independent, as it is termed, of foreign nations, by forcing us to produce at home what could be obtained better or more abundantly from abroad; in which of these attempts, and they constitute its essence, does the mercantile system differ from the conduct of my supposed children? If nothing should occur to check the world in its present state of improvement, and 1000 years hence, when all traces of the mercantile system which at present clogs all our actions, and disturbs all our reasonings, shall have vanished; when the rulers of every nation shall permit their subjects to use to the utmost their own advantages, and profit to the utmost of the advantages

possessed by their neighbours ; if, in that millennium of good sense, a copy of these lectures shall be discovered, I shall be considered probably a recluse academic, totally unacquainted with the real business of the world, and declaiming from my cloister against opinions and conduct too monstrous to have had any but a visionary existence in my own imagination.

I need not give myself much trouble about the opinion of posterity, but my present hearers have a right to require from me some account of the causes that enabled a set of opinions which do not even admit of being plausibly stated, to prevail so universally, and to remain for so many centuries unquestioned. I am inclined to ascribe their immediate origin more to the use of money as a measure of value than to its use as a medium of exchange. A man possessed of an extraordinary number of valuable things is rich ; but the clearest mode of stating his comparative wealth is to state the aggregate of the sums of money for which all his possessions would sell. We say, perhaps,

that he has 100,000 pounds; meaning that such is the aggregate amount of the sum of money for which all his property might be sold. When applied to an individual, this language leads to no misapprehension. We know that the person whom we have described as possessing 100,000 pounds does not in fact possess twenty; that he does not habitually keep with him as much money as a petty shopkeeper of not one tenth or one hundredth of his fortune. And we are quite aware that if we could force him to increase the money in his custody to ten times its usual amount, we should impoverish rather than enrich him. But when men reason upon national wealth, they seem to forget that it is merely the aggregate of the wealth possessed by individuals. Their minds are confused by its magnitude and complexity; because the wealth of a nation, like the separate masses of which it is composed, may be computed in money, they suppose that it consists of money;—a mistake as gross, and perhaps as natural, as that of a child who, hearing that a

given merchant had 100,000 pounds, should suppose that he had a box containing that sum in gold and silver.

When this strange misapprehension of the nature of wealth had prevailed, I have no doubt that it was indebted for its continuance principally to the impossibility of reducing its principles to practice. We have seen that to sell without buying, or even to continue selling more than you buy, that is, to effect the object proposed by the mercantile system, the forcing a constantly favourable balance of trade, is impracticable. But if it had been practicable to a given extent and for a given time ; if, by force of prohibitions, restrictions, and bounties, we had been able, for twenty years together, to make our exports exceed in value our imports, to the amount, we will say, of five millions sterling, and by a vigilant coast blockade to retain the balance, we should have found ourselves, at the expiration of that period, possessed of a hundred millions sterling in gold and silver, in addition to our

money previously in circulation, which has never probably exceeded forty millions. It is difficult to say to what extent such an addition to our currency, uncalled for by any previous deficiency, would have raised the prices of all English commodities, and how low its abstraction from the currencies of the rest of the world would have sunk the prices of all foreign commodities. It is evident, however, that the rise here and the fall abroad must have been such as, when the power of keeping up the blockade ceased, would be inconsistent with the continuance of foreign commerce on any terms but those of re-exporting the precious metals. When we found ourselves deprived not only of foreign luxuries and comforts, of wine, tea, and sugar, but of the materials of our most essential arts, of cotton, deals, and hemp, and repaid only by the pleasure of using five sovereigns to make a purchase which might have been previously effected by one, such a reductio ad absurdum would have been irresistible. We should have instantly seen the necessity of

rather exporting our superfluous money, than of remaining, like Midas, abundantly provided with gold, but in want of food, raiment, and shelter. It is precisely because the object of the mercantile system is unattainable, because a balance of trade universally favourable cannot be created under ordinary circumstances, or, if created, could not, under ordinary circumstances, be retained for a month, that the absurdity of this system remained so long undetected, and is still generally unacknowledged. It follows a will-o'-the-wisp, which can remain an object of pursuit only so long as its real nature is unknown.

But, it may be said, granting the delusion, as to the practicability and the utility of the end proposed by the mercantile system, to have been universal, (and universal it certainly was, and almost continues to be,) yet, as the means are so clearly productive of immediate injury, how came they to be so readily acceded to? How comes it that any departure from them is submitted to with such reluctance? How comes it that people are

so anxious, in this instance alone, to sacrifice immediate to the hope of future benefit; to submit eagerly to general and immediate privation in the hope of a national benefit hereafter?

The answer is, that though restrictions and prohibitions of importation, and bounties on exportation, always occasion public loss, they produce, or are supposed to produce, individual gain; and the preponderance in amount of the loss over the gain is more than compensated, so far as either acts on public opinion, by the concentration of the gain, and the diffusion of the loss. A restriction or prohibition of the importation of any foreign commodity occasions a loss to those persons who would have produced the English commodity with which the excluded foreign commodity would have been purchased; but these are unascertained persons. No man feels that he is one of the persons peculiarly entitled to complain. It occasions also a loss to all those who are forced to purchase the dearer or the inferior English commodity. But though the sum of these inconveniences is most oppressive,

the evil in each particular instance is generally trifling. On the other hand, the producer of the English commodity, for which the foreign one might be a substitute, is an ascertained person fully estimating, and generally over-estimating, the loss to which the admission of a rival would subject him, and, if possible, exaggerating his own terrors in his expression of them.

Nothing but inquiry into the details of our commercial law will convince those among my hearers to whom the subject is not familiar, how trifling may be the individual gain that is offered and admitted as an effectual counterpoise to a public loss. We submit to a loss, exceeding probably a million sterling every year, occasioned by the restriction on the importation of Baltic timber; and voluntarily inoculate our houses with dry rot, lest saw-mills in Canada, and ships in the North American timber trade, the aggregate value of which does not amount to a million sterling, should become less productive to their owners. We prohibit sugar refined in the colonies, and consequently import it in a state more

bulky and more perishable, lest the profits of a few sugar-refiners should be lessened. Other selfishness may be as intense, but none is so unblushing, because none is so tolerated, as that of a monopolist claiming a vested interest in a public injury.

The subject is still further obscured by that powerful instrument of confusion, national jealousy. Free trade is not only to deprive us of our money, it is also to carry it to our neighbours; it is to do worse than impoverish ourselves, it is to enrich them. The trade with a country is likely to be advantageous in proportion to its extent, productiveness, and proximity. The trade between Middlesex and Kent is more advantageous to both parties than that between Middlesex and Caithness. But those very circumstances are the causes of national jealousy. The trade between Great Britain and France would be the most beneficial that either country could carry on: they are countries of great extent and powers of production; their respective wants and supplies are happily adapted to each other; and the short sea, which for commercial purposes

rather unites than separates them, reduces the expense of carriage almost to nothing. The wines of the Garonne would naturally be cheaper in London than in Paris. The mineral treasures of Wales and Cornwall would find their way as easily to the Loire as to the Thames. For these very reasons, each nation has always exercised her perverse ingenuity to exclude the commodities of her neighbour; and so well have they succeeded, that the imports of Great Britain from France, instead of forming, as they naturally would do, a third or fourth of all our imports, do not exceed a fiftieth. The mercantile system seems to have proclaimed, and national jealousy to have re-echoed—

*Nequicquam Deus abscidit
Prudens oceano dissociabili
Terras, si tamen impia
Non tangenda rates transiliunt vada.*

Another most efficient fallacy consists in a use of the word “independent.” To be independent of foreign supply, in consequence of the abundance of our own, is unquestionably a

benefit. If we could give to our soil and climate the productive powers of the richest plains in Mexico, and instead of eight or ten, obtain a return of ninety or one hundred, for every grain of wheat committed to the earth, we should be independent of foreign grain; but the benefit would consist not in the independence, but in the abundance. The independence of the mercantile system is accompanied not by abundance, but by privation; it arises not from the extent, but from the mismanagement of our resources; not from our riches, but from our self-inflicted poverty. It is the independence of Swift, who deprived himself, during the last years of his sanity, of the power of reading, by an obstinate resolution never to use glasses. It is the independence of my supposed trader in blacking his own shoes. It is to be independent of the footpath, by walking in the kennel.

Independence of our neighbours has, however, sometimes been recommended, not as a means of wealth, but of security. This view of the

subject is not within the scope of Political Economy. If I might venture to travel somewhat beyond my sphere, I should reply that it seems forgotten that dependence, as well as independence, must be mutual; that we cannot be habitually dependent on another nation for a large portion of our annual supplies without that nation's being equally dependent upon us. That if such a mutual dependence should increase the inconveniences of war to the one, it would equally increase them to the other. That if the supposed intercourse were one in which England received raw produce in return for her manufactures, or even her gold, (and such are the cases in which this argument is chiefly used,) such an intercourse would bind to her the foreign country in question by the strongest of all possible ties, the immediate interest of the owners of the soil, the most powerful class in every community, and the only class possessing power in a poor country. I should illustrate the argument by our relations with the Baltic states. I should observe that

our dependence on them for the principal materials of our navy,—a dependence carrying a peculiar appearance of insecurity, never seemed to diminish our strength during war, while the dependence on England of the Russian landholders for their rents, made peace with us absolutely essential to them; and actually enforced it by means of the unpunished murder of one sovereign, and unresisted menaces to another. And I should infer from all this, that an attempt at commercial independence must infinitely increase the chances of a war to a nation, by diminishing the motives in other nations to remain at peace with her, and, by impoverishing her, must make her less able to support the wars to which it inevitably leads. To the mercantile theory, besides its own peculiar follies, we may in general attribute the greatest of all human follies, the existence of war between civilized nations.

It will be observed that I have considered all interference with the natural channels of commerce, all prohibitions and restrictions on im-

portation, and all bounties on exportation, as founded on the mercantile theory ; or, in other words, on the belief that wealth consists of gold and silver, and that the amount of the gold and silver in a country is to be increased by securing to her a favourable balance of trade ; that is, a trade in which her exports shall always be of greater value than her imports, and the balance be paid to her in money. I have done so, because, with three exceptions, which I shall mention hereafter, no plausible defence of any interference with commerce can be made on any other principle. I say no *plausible* defence, because I should not consider a wish to favour one class of the community at the expense of another, or at the expense of the whole community, a plausible defence. I do not consider the monopolies which Elizabeth, in the ignorance of her times, thought, or pretended to think, cheap rewards to her favourites, defensible. Nor do I think a monopoly in favour of a class more defensible than one in favour of an individual.

I know, indeed, that there are many honest maintainers of the opinion that the prosperity of a country is best promoted by protecting her industry from foreign competition, and rendering her independent of foreign supply, who do not formally admit the truth of the mercantile theory, or, more frequently, are ignorant that such a theory exists. Such persons, in general, are mere repeaters by rote of prejudices caught up in conversation, and if they ever search for a reason, are satisfied with finding one in the sounds "protection" and "independence;"—sounds, they think, entitling them to the countenance of what they call common sense. When it is possible, however, to drive or to seduce them into argument, their first or second move leads them inevitably, as I remarked in my last lecture, to the mercantile theory. They cannot deny that the commodities which they would exclude must be given to us gratuitously, or in exchange for our own produce, or for money. The first supposition, granting that we could be sufferers by it, is

too absurd even for the reasoners whom I am describing. If they adopt the second, they must admit that the loss to the producers, whose exports we indirectly prohibit, balances the gain to those whom we forcibly encourage, leaving the loss to the public uncompensated: they are driven, therefore, to maintain that the payment would be made in money; and to suppose that such a payment could continue, and would be an evil, is the mercantile theory.

I have observed, however, that there are three cases in which an interference with the natural course of trade may be defended, without recourse to the mercantile theory. The first is, where the defence rests on the grounds of security. This argument I have already disposed of.

The second case is, where a long persistence in the system of exclusion has occasioned the formation of expensive domestic establishments, and the education of numerous artificers, to whom the admission of the foreign commodity would be injurious. The answer to this argu-

ment, on the mere principles of Political Economy, is obvious. The only purpose of the supposed establishments and skill is, the producing the commodity in question. If that commodity, or a substitute which is preferred to it, can be obtained without their assistance, they are as useless as a machine which has been superseded by a better invention; as useless as a ferry after the erection of a bridge. In one of the debates on the silk trade, in the beginning of the last session,* the Member for Coventry “stated that there were in that city “9700 looms, 7500 of which were in the hands “of operative weavers, who applied their manual labour, as well as their machinery, to “the manufacture of ribands. These looms “were for the most part of the worst possible “construction; and it would scarcely be believed that the improved loom in France would, “in a given time, produce five times as much “riband as the common loom in England, with

* 1 Parl. Hist. 1826, p. 389.

“ the same degree of manual labour. He could
“ also state that there existed an improved ma-
“ nufacture in Germany, by which one man could
“ make forty-eight times as much velvet as could
“ be made in an equal time by an English ma-
“ chine. What chance was there that the Eng-
“ lish manufacturer could maintain such a com-
“ petition ?”

As a mere question of wealth, the answer is, what object is there in such a competition ? To perpetuate the old system, because, whenever it is abandoned particular interests must suffer, is a principle which, if fairly applied, would lead to the suppression of every improvement whatever. No improvement can possibly be made which shall not be immediately injurious to somebody. Printing ruined the copyists ; and the Turks, to protect their interests, prohibited it. Vaccination was deeply injurious to medical men. Steam-boats interfere with our coasters and packets. And if the vacuum engine should be perfected, it will in their turn deteriorate the

value of the existing steam-boats. But would not any legislator have been hooted from his post who should, on these grounds, have prohibited or restricted printing, vaccination, or steam-boats? Will the proprietors of coal mines be heard if they pray that Mr. Perkins be restricted from making any improvements in the steam-engine which shall diminish the consumption of coal? And in what does the substitution of a foreign for a domestic commodity differ from the substitution of one domestic commodity for another? If the powers of the French and German looms had been such as they were stated to be by the Member for Coventry, we should certainly, on the removal of the existing impediments, have procured from France and Germany all our ribands and velvets. We should have procured them by extending some branches of our domestic manufactures, in order to produce commodities to be sent either to France and Germany in exchange for the ribands and velvets, or to some other country to purchase money, with which the

ribands and velvets would have been purchased. The diminution in the price of ribands and velvets would have enabled the consumers of those commodities to devote to other purposes a larger portion of their incomes, which would have afforded means of further extending the whole industry of the country. Without doubt these changes could not have taken place without peculiar suffering as well as peculiar benefit. The English manufacturers of ribands and velvets must have been injured, just as the English producers of those articles, for which the demand was increased, must have been benefited. So, if Mr. Perkins's improvements take place, we shall perhaps cease to raise the same quantity of coal. We shall also devote more of our labour to the production of steam-engines, and to those manufactures in which they can be serviceable. And to do this, we shall probably be obliged to discontinue or curtail some other branches of industry. In this case, as in the last, there will be partial individual suffering, as well as partial individual benefit. In both cases,

besides the partial suffering and the partial benefit, is the general benefit to the whole community considered as consumers. A benefit which will be permanent, while both the gain and the loss to peculiar classes of producers will pass away. If we should think it madness to prohibit, or to tax, the use of an improved steam-engine, because it must be injurious to those employed in raising coal, what pretence is there for prohibiting or taxing foreign ribands or velvets because their importation would be injurious to the English silk-weaver? On what pretence can the man who throws the shuttle claim a protection which we should deny to him who toils in the mine, or navigates the collier?

I should grieve to be supposed indifferent to the partial evil which must accompany any change in the channels of commerce, however generally beneficial. I am far even from thinking that the peculiar evils sustained by those who are injured are balanced by the advantages obtained by those classes of producers who are

peculiarly benefited by the change. I well know that when loss and gain appear equal, the loss is a greater evil than the gain is a good. I resist the interposition of government against the most beneficial direction of our industry, or, in other words, I defend free trade, solely on public grounds. Solely because to prohibit every change which is accompanied by individual injury would be to prohibit every improvement whatever. Because the effect of such a barbarous policy would be at best to keep us at the point at which we stood when it was introduced;—to sacrifice, in fact, the very end of government. For what is the end of government but to promote the happiness of the whole by forcing the interests of individuals to bend to those of the community?—the few to submit to the many?

I am aware, however, that in the existing state of knowledge and feeling in this country, any attempt to apply at once to foreign commerce the principles on which we act, and that as a matter of course, in our internal trade, would

be unsuccessful. We have been accustomed in our internal trade to see every improvement accompanied by individual suffering, but we have also been accustomed to consider the general benefit as overbalancing the partial injury, and at once to stifle complaints by replying, “ these
“ are the ordinary chances of trade ; when your
“ manufacture was introduced you injured some-
“ body else, and if we were to prohibit or restrict
“ whatever interferes with existing interests, we
“ must remain stationary for ever.”

Unfortunately the prejudices of the mercantile theory have prevented the application of this reasoning to foreign commerce. They have done more ; they have turned against improvement the very argument which ought to be decisive in its favour. They have enabled those who fear that they may suffer individual injury from foreign competition, instead of merely deprecating that injury, or praying that the sacrifice of their interests to those of the public may be as much softened to them as possible, to found their op-

position on public grounds; to proclaim that every departure from our system of exclusion will make us dependent on foreigners, and deprive us of our money, and in short to call in aid of what they suppose to be their own immediate advantage all the absurdities of that monstrous theory.

In a representative government, where each individual may proclaim in their utmost exaggeration his sufferings and his fears, where the power arbitrarily to do good is chained by the same fetters which restrain the power arbitrarily to do evil, where, in short, public opinion is omnipotent, and is, on these subjects, so ill-informed, and therefore so easily misdirected; there appears, at first sight, no limit to the extent to which individual interest, popular prejudice, and national jealousy, might not carry the system of exclusion. There appears at first sight no reason why the dread of foreign competition, felt in turn by each class of producers, should not have led us at last to the perfect non-intercourse of Japan. In fact, as far as

legislation could effect this object, it seems nearly to have been attained by the statute passed in the third year of the reign of Edward IV. Mr. Daines Barrington's abstract of this statute is in the following words :—

“ The fourth chapter is intitled, ‘ certain
“ merchandizes not lawful to be brought ready
“ wrought into the kingdom.’ It enumerates
“ almost every kind of goods which can be
“ imported, and may now be looked upon as
“ the fundamental law of the customs ; founded
“ upon the best principles of commerce.”

Such were our principles of commercial legislation in the fifteenth century ; and so little were they improved in the eighteenth, that a man of Mr. Barrington's high station, public spirit, and general knowledge, believed that a prohibition of “ almost every kind of wrought goods that
“ can be imported,” was “ founded upon the
“ best principles of commerce.” And so slow has been the subsequent diffusion of knowledge, that for repealing that statute in our own times Mr.

Huskisson has been called "a hard-hearted theorist, exceeding the devil himself in malignity, and "in contempt for the happiness of mankind."

Happily, however, there is in the political, as in the human, body, a *vis medicatrix*, which for extraordinary evils produces extraordinary remedies. The absurdities of the English laws respecting landed property produced uses and trusts: the violence of the feudal times gave rise to knight-errantry: when exclusion became the fundamental law of the customs, it was necessarily followed by smuggling. The smuggler is a radical and judicious reformer. His labours are unhappily confined to the least bulky articles, but as far as this field extends they are always directed to that part of the prohibitive system, which may be broken through with the greatest advantage, because it is maintained at the greatest loss. In those countries which have carried the prohibitive system to the extent which Mr. Daines Barrington thought the perfection of commerce, in Spain, for instance, at this instant, and in her colonies, be-

fore that system had deprived her of them, the smuggler is essential to the well-being of the whole nation. All external commerce depends on him. But in this country, and at present, I am far from thinking that the direct effect of his exertions in giving us a free trade in those commodities which, from their bulk and value, fall within his province, are any compensation for the crime, the misery, and the public expense, of which he is the occasion and the victim. His merit is that of having supplied the only argument which could have enabled the improvement of our commercial code. If Mr. Huskisson had had no better arguments than those which I have addressed to you, he would have applied in vain to the House of Commons and the country. They have been before the public, unanswered and unsubmitted to, from the time of Adam Smith until now. Mr. Huskisson's argument was, were prohibitions right or wrong, wise or foolish,—were they attempts to protect and foster the industry of our own country, or to sacrifice the

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permanent interest of the whole community to the temporary advantage of a portion of its members, —they were inoperative. They might annihilate the calling of the lawful trader, but it was only to convert him into a smuggler; to exchange for legitimate commerce the crime and lawlessness of contraband. “What,” he asked, “was the consequence of such a system? A number of families, that would otherwise be valuable and industrious members of society, existed and trained up their children in a state of perpetual warfare with the law, till they insensibly acquired the habits and feelings of outlaws, standing to the rest of the community rather in the relation of pirates than of fellow-subjects. And was this abominable system to be tolerated, not to uphold the revenue, but to its injury, merely because in a few secondary branches of manufacture, we did not possess the same natural advantages, or the same degree of skill as our neighbours?”

Happily these arguments were to a certain ex-

tent successful, and it is to their force, and to the smuggler who gave them that force, that we are indebted for the relaxation which we have yet obtained of the fetters which, under the mask of protection, have so long cramped the energies of this country.

In my next lecture I shall consider the third ground on which commercial restrictions may be defended, without having recourse to the mercantile theory; and I shall conclude the subject by some remarks on the influence which that theory is still able to exert, and the calamities to be apprehended if that influence should continue.

LECTURE III.

MERCANTILE THEORY OF WEALTH CONCLUDED.

I REMARKED, in my last lecture, that there are three grounds on which an interference with the natural channels of commerce may, in some cases, be defended without having recourse to the mercantile theory. Two of these, security in case of war, and the immediate injury to the domestic producer with whom the imported commodity would interfere, I have considered. I now proceed to the last, which is taxation :—

The principle of free trade is non-interference : it is to suffer every man to employ his industry in the manner which he thinks most advantageous, without a pretence on the part of the legislator to controul or direct his operations. But when a tax is laid on any domestic product for which a substitute can be obtained from abroad, if the tax

exceed the difference between the price at home and abroad, and the expense of importation, it may, besides the general evils necessarily incident to a tax, also operate as an interference with the natural employment of industry. It may occasion the home producer to abandon his business and devote himself to the production of some other commodity, by the exportation of which he may be enabled to import, tax free, the foreign commodity. A heavy tax is imposed on the domestic manufacture of glass :—if no restrictions were imposed on the importation of foreign glass we should cease to manufacture glass at home, and devote an additional portion of our industry to the manufacture of commodities to be exported in exchange direct or indirect, for the glass of France and Germany.

The obvious mode of preventing this is to levy an equivalent, or, as it is called, a countervailing duty on the foreign commodity ; and we may easily believe that no government is likely to be wanting in this precaution. The fault is uniformly

on the other side. Partly with a view to reconcile to the tax the domestic producer ; partly in the hope of additional revenue ; and partly with the patriotic intention of protecting domestic industry, a specific tax on any home product is always accompanied, not by an equivalent, but by a much heavier tax on the foreign commodity which might be a substitute for it. And the necessary evils of the tax are augmented by making it a pretext for new restrictions on commerce. But if the duty be no more than a countervailing or equivalent one, it is subject to the exceptions which I shall mention in a subsequent part of my lectures, not a departure from the principles of free trade, but an application of them.

This argument, however, is often made use of to sanction the grossest violation of those principles. We have seen that free trade is founded on non-interference ; on the unquestionable axiom, that the wealth of the whole nation is best promoted by allowing each individual to employ himself in the way which he thinks most advan-

tageous to himself, without the influence of motives artificially supplied by partial taxation. But taxation can supply such motives only while it is partial. When a tax is laid generally on all employments, it obviously can occasion no transfer of industry from one employment to another. An exclusion of foreign commodities founded on such a tax, must, of course, either be general, or a particular one. We have seen that such a general exclusion, if it were possible, instead of diminishing the necessary evil of the tax, would be itself a fresh, and a far severer calamity. On the other hand, a particular exclusion would be an attempt to favour some particular class or classes of producers at the expense of the community. The first would be simply mischievous; the second mischievous and unjust.

The same answer is to be made to the demand by a particular class to be allowed a monopoly in consideration of the injury which they suffer from the monopolies granted to others. It is true they are sufferers, and so is the whole

community, but where would be the justice of an attempt to exempt them from their share of the general suffering by inflicting a new evil on the community at large?

As a fallacy cannot be clearly exposed without illustrations, I will venture to select a few examples from the debate in the House of Commons, in February, 1826, on the proposed admission of foreign silks. The Member who opened it, said, "It was utterly impossible to compete with French silks. With a load of debt, hanging like a mill-stone around the neck of the nation, were they rational men who could propose a competition with a people whose debt was almost no burthen at all?"

The Member for Coventry asked, "Could they go back to the rate of wages which prevailed in 1792? Could they introduce the same scale of prices? If they could not, how could the manufacturer compete with the foreigner?"

The Member for Lincoln said, " Let gods
" destroy time, taxes, and poor-rates, 'and then
" let any newly enlightened minister open his
" eager arms to admit the unrestrained com-
" merce of the world. But until that were done,
" to talk of free trade, what was it, but to pro-
" pose that a man bound in fetters should try his
" strength and agility with one whose limbs were
" wholly free?"

Even Mr. Baring urged as an objection to the measure, the advantage possessed by the foreigner in the cheapness of labour; and thought " this
" another proof in addition to the many which
" already existed on the same subject, which, in
" his opinion, proved beyond the possibility of a
" doubt, that it would be impossible for the Eng-
" lish manufacturers ever to bring down their
" goods to such a price as would enable them to
" compete with the workmen of other nations."
He went on to say, " that the Right Honour-
" able Gentleman was proceeding on wrong
" grounds with respect to his whole commercial

“system. He ought to begin with the Corn Laws.”

To every one of these arguments the answer is the same. The Poor Laws and the National Debt, or rather the taxation which they occasion, are evils. The Corn Laws are an evil, not so great perhaps as either of the former, but more galling from their injustice. But do any of these evils peculiarly affect the manufacturers of silk? If foreign silks were freely admitted, must they not be paid for, directly or indirectly, with English manufactures, and if these burthens disable our silk manufacturers from competing with foreigners, must they not equally disable our other manufacturers? On this supposition, must not these burthens of themselves form the most effectual prohibition of foreign silks, by preventing the exportation of English equivalents? Again, because we are prohibited from obtaining bread on the best terms, are we, therefore, to be prohibited from using the most advantageous means to obtain silk? Because

public honour, and even common honesty, require that every man should contribute a portion of his income to the public creditor, should he therefore be required to pay a larger sum than is necessary to his silk merchant.

The fallacy is, however, most striking when the pretext for monopoly is the high rate of English wages. It is, in the first place, open to the general answer, that not pressing peculiarly upon any one class, it gives to no one class a claim to peculiar privileges; and the force of this answer is, if possible, increased when high wages are used as a defence for the monopoly enjoyed by the producers of corn, a class of persons who obtain labour on cheaper terms than the rest of the community. But it is open to the additional answer, that high wages instead of preventing our manufacturers from competing with foreign countries, are, in fact, a necessary consequence of the very cause which enables us to compete with them,—of the very cause which enables us to obtain in return for the produce of one English-

man's labour for a day, or a week, or a month, commodities produced by the labour of perhaps two Frenchmen, four or five Poles, and more than ten Hindoos ; namely, the superior productiveness of English labour.

I am aware that this proposition may be to many of my readers paradoxical. A statement, at this place, of the arguments which have convinced me of its truth, would be an inconvenient digression, besides involving many other propositions which are far from elementary. Indeed, I have introduced it here, though unnecessary to my reasoning, only to suggest to those among my hearers who are anxious to extend the limits of the science, an important and very neglected subject of inquiry,—namely, the differences in the amount of money wages in different countries, and the causes of those differences*.

With these remarks I might close all that I have to say on the mercantile theory of wealth,

* The author has subsequently considered this subject, in a Lecture "On the Cost of obtaining Money."—Murray, 1830.

and on the practice which that theory has occasioned ; but I have discussed it at so much length, and there is such difficulty in following a long discussion in the form of Lectures, that I should wish to conclude by a recapitulation of the heads of the argument. Fortunately, I can do this, and that in language far better than my own, by reading to you the most important document on the science of trade which has ever been made public,—the Petition of the British Merchants presented to Parliament in May, 1820. That Petition conveys the deliberate judgment of the first commercial members of the greatest commercial country that exists, or ever has existed. It conveys their judgment upon facts constantly before their eyes ; complains of evils by which they must have been principally affected ; and points out remedies of which the experiment was to be tried on themselves. Besides its merits as a composition, besides its fulness, perspicuity, and precision, besides the conviction which its conclusions must have carried if their force had

depended, like that of my own, solely on their premises, it has all the weight of the most powerful testimony ; of the testimony of persons who could not easily be deceived, since they were stating the results of their own long and daily experience, and could have had no motive to deceive others, since they would have themselves been the earliest and most extensive sufferers, if their conclusions had been erroneous.

As the object of the petitioners was to obtain the removal of existing evils, not to account for their origin, they have not traced the restrictive system to the mercantile theory of wealth. In every other respect their reasonings will be found to differ from those which I have addressed to you only in the superiority of their expression.

The Petition states—

“ That foreign commerce is eminently conducive to the wealth and prosperity of a country
“ by enabling it to import the commodities for
“ the production of which the soil, climate, capi-

“tal and industry of other countries are best calculated, and to export in payment those articles for which its own situation is better adapted.

“That freedom from restraint is best calculated to give the utmost extension to foreign trade, and the best direction to the capital and industry of the country.

“That the maxim of buying in the cheapest market and selling in the dearest, which regulates every merchant in his individual dealings, is strictly applicable, as the best rule for the trade of the whole nation.

“That a policy founded on these principles would render the commerce of the world an interchange of mutual advantages, and diffuse an increase of wealth and enjoyments among the inhabitants of each state.

“That, unfortunately, a policy the very reverse of this has been, and is, more or less, adopted and acted upon by the government of this and of every other country; each trying to exclude the productions of other countries,

“ with the specious and well-meant design of encouraging its own productions: thus inflicting
“ on the bulk of its subjects, who are consumers,
“ the necessity of submitting to privations in the
“ quantity or quality of commodities; and thus
“ rendering what ought to be the source of mutual
“ benefit and of harmony among states, a constantly recurring occasion of jealousy and
“ hostility.

“ That the prevailing prejudices in favour
“ of the protective or restrictive system may
“ be traced to the erroneous supposition, that
“ every importation of foreign commodities occasions a diminution or discouragement of
“ our own productions to the same extent;
“ whereas it may be clearly shown, that although
“ the particular description of production which
“ could not stand against unrestrained foreign
“ competition, would be discouraged, yet as
“ no importation could be continued for any
“ length of time without a corresponding exportation, direct or indirect, there would be

“ an encouragement, for the purpose of that ex-
“ portation, of some other production to which
“ our situation might be better suited; thus
“ affording at least an equal, and probably a
“ greater, and certainly a more beneficial, em-
“ ployment to our own capital and labour.

“ That of the numerous protective and pro-
“ hibitory duties of our Commercial Code, it
“ may be proved, that while all operate as a
“ very heavy tax on the community at large,
“ very few are of any ultimate benefit to the
“ classes in whose favour they were originally
“ instituted, and none to the extent of the loss
“ occasioned by them to other classes.

“ That among the other evils of the restrictive
“ or protective system, not the least is, that
“ the artificial protection of one branch of in-
“ dustry, or source of production, against foreign
“ competition, is set up as a ground of claim
“ by other branches for similar protection; so
“ that if the reasoning upon which these restric-
“ tions or prohibitory regulations are founded

“ were followed out consistently, it would not
“ stop short of excluding us from all foreign com-
“ merce whatsoever. And the same train of
“ argument which, with corresponding prohibi-
“ tions and protective duties, should exclude us
“ from foreign trade, might be brought forward
“ to justify the re-enactment of restrictions upon
“ the interchange of productions (unconnected
“ with public revenue) among the kingdoms com-
“ posing the union, or among the counties of the
“ same kingdom.

“ That an investigation of the effects of the re-
“ strictive system at this time is peculiarly called
“ for, as it may, in the opinion of your Petitioners,
“ lead to a strong presumption that the distress
“ which now so generally prevails, is considerably
“ augmented by that system ; and that some re-
“ lief may be obtained by the earliest practicable
“ removal of such of the restraints as may be shewn
“ to be most injurious to the capital and industry of
“ the community, and to be attended with no com-
“ pensating benefit to the public revenue.

“ That a declaration against the anti-com-
“ mercial principles of our restrictive system is
“ of the more importance at the present juncture,
“ inasmuch as, in several instances of recent oc-
“ currence, the merchants and manufacturers in
“ foreign states have assailed their respective
“ governments with applications for further pro-
“ tective or prohibitory duties and regulations,
“ urging the example and authority of this
“ country, against which they are almost ex-
“ clusively directed, as a sanction for the policy
“ of such measures. And, certainly, if the reason-
“ ing upon which our restrictions have been de-
“ fended is worth any thing, it will apply in
“ behalf of the regulations of foreign states against
“ us. They insist upon our superiority in capital
“ and machinery, as we do upon their com-
“ parative exemption from taxation, and with
“ equal foundation.

“ That nothing would tend more to counter-
“ act the commercial hostility of foreign states
“ than the adoption of a more enlightened and

“ more conciliatory policy on the part of this
“ country.

“ That although, as a matter of mere diplo-
“ macy, it may sometimes answer to hold out
“ the removal of particular prohibitions or high
“ duties, as depending upon corresponding con-
“ cessions by other states in our favour, it does
“ not follow that we should maintain our re-
“ strictions in cases where the desired concessions
“ on their part cannot be obtained. Our restric-
“ tions would not be less prejudicial to our own
“ capital and industry because other governments
“ persisted in preserving impolitic regulations.

“ That upon the whole the most liberal would
“ prove to be the most politic course on such
“ occasions.

“ That independent of the direct benefit to
“ be derived by this country on every occasion
“ of such concession or relaxation, a great inci-
“ dental object would be gained, by the recogni-
“ tion of a sound principle or standard, to which
“ all subsequent arrangements might be referred ;

“ and by the salutary influence which a promul-
“ gation of just views by the legislature, and by
“ the nation at large, could not fail to have on
“ the policy of other states.

“ That in thus declaring, as your Petitioners
“ do, their conviction of the impolicy and in-
“ justice of the restrictive system, and in desir-
“ ing every practicable relaxation of it, they have
“ in view only such parts of it as are not con-
“ nected, or are only subordinately so, with the
“ public revenue. As long as the necessity for
“ the present amount of revenue subsists, your
“ Petitioners cannot expect so important a branch
“ of it as the Customs to be given up, nor to be
“ materially diminished, unless some substitute,
“ less objectionable, be suggested. BUT IT IS
“ AGAINST EVERY RESTRICTIVE REGULATION OF
“ TRADE NOT ESSENTIAL TO THE REVENUE, AGAINST
“ ALL DUTIES MERELY PROTECTIVE FROM FOREIGN
“ COMPETITION, AND AGAINST THE EXCESS OF SUCH
“ DUTIES AS ARE PARTLY FOR THE PURPOSE OF
“ REVENUE AND PARTLY FOR THAT OF PROTECTION,

**“ THAT THE PRAYER OF THE PRESENT PETITION IS
“ RESPECTFULLY SUBMITTED TO THE WISDOM OF
“ PARLIAMENT.**

**“ Your Petitioners, therefore, humbly pray,
“ that your Honourable House will be pleased
“ to take the subject into consideration, and to
“ adopt such measures as may be calculated to
“ give greater freedom to foreign commerce, and
“ thereby to increase the resources of the state.”**

I cannot resist the temptation of adding, though it must be unnecessary, to the testimony of the Petitioners, that of one of the wisest and most patriotic statesmen whose services this country has ever enjoyed,—of that excellent and enlightened man whom disease has now so recently snatched from the national-councils. Before this Petition was presented to Parliament, it was submitted to Lord Liverpool, by a deputation of the most eminent of the Petitioners. Lord Liverpool read it aloud to them, probably to mark that no part of its contents could have escaped his notice, and then added—**“ THAT, WITH EVERY SENTIMENT**

“ AND EVERY PRINCIPLE CONTAINED IN THE PETI-
 “ TION HE FULLY AND UNRESERVEDLY AGREED, AND
 “ THAT IF HE WERE THEN TO FORM A COMMERCIAL
 “ CODE, THOSE WERE THE PRINCIPLES ON WHICH HE
 “ WOULD ESTABLISH IT.”

I have to apologize for having detained you so long, and at the very outset of my Lectures, on a single point. A view of the mercantile theory of wealth was essential, but the symmetry of my course would have been improved if I had disposed of it, as I certainly might have done, more briefly,—if I had contented myself with exposing the absurdity of that theory, and omitted all consideration of its practical consequences. My reasons for going into it at so much length were, first, that the mercantile theory is a detached subject in Political Economy, more capable than any other of being submitted to those who are not familiar with the science, or, what is the same as far as my Lectures are concerned, with the view which I take of it. And, secondly, because the question whether the mercantile sys-

tem shall be abandoned or shall be aggravated and extended ; or, in other words, the question of free trade is, next to the Reformation, next to the question of free religion, the most momentous that has ever been submitted to human decision.

If the unhappy prejudices that now exist on this subject should continue, and if the extension of representative governments should increase the power of public opinion over the policy of nations, I fear that commerce may not long be enabled to retain even that degree of freedom that she now enjoys. Much, perhaps every thing, depends on the example to be set by this country. I have perfect reliance on the knowledge and good intentions of our present ministers ; but very little on the knowledge possessed by the country at large. And if ministers are unsupported by the community at large, if each class in turn is to be permitted a complete or a partial monopoly, and bribed by this sacrifice of the general and permanent interest of the public, to its own partial and im-

mediate advantage, to allow others to clamour for the power to exercise a similar oppression,—if ministers are not aided by the public voice in their struggles against individual rapacity,—we shall tread backwards and with greater rapidity the few steps which we have so laboriously gained. Slowly and reluctantly, and as if parting from our dearest friend, we have begun to withdraw from the restrictive system. If once we begin to re-approach it, I am justified by all experience in the fear that in our retrograde motion we shall not stop at the point at which we originally set out. It will have been an unsuccessful rebellion against popular prejudice, and, like all unsuccessful rebellions, strengthen and consolidate the ruling power. We shall again adopt, and with more skill to enforce it, the third of Edward IV. as the fundamental law of the customs, and consider, with Mr. Daines Barrington, a system of general and absolute prohibition to be founded on the wisest principles of commerce—a system, which, to borrow the words of Mr. Huskisson, pro-

claims that " All interchange of their respective
" commodities between the different nations of
" the world is a source of evil to the one or
" to the other ; that each country ought to shut
" itself up within itself, making the most of its
" own resources, refusing all commerce with
" any other country, barbarously content to
" suffer wants which this commerce might easily
" supply, and to waste its own superfluous pro-
" ductions at home, because to exchange them for
" the superfluous advantages of that other country
" would be ruinous to both."

It is not enough to say that such a state of things (and it is a state to which, between our own prohibitions and restrictions, and the retaliatory measures of other countries, we were rapidly approaching) would be mischievous to this country ; it would carry with it total and irremediable ruin. The inhabitants of countries of vast extent, possessing every variety of soil and climate, like Russia and China, though their enjoyments might be much increased by foreign commerce, can

yet exist without it. And there are other countries which, from their poverty or their situation, the small value of the equivalents which they have to offer, or their difficulties of access, are unable to enjoy it. But both natural causes and the course of events, while they have admirably fitted Great Britain for extensive commerce, have rendered her totally dependent on it. Nature has placed her in the centre of civilization, between the two worlds, but nearer to the more opulent hemisphere,—has surrounded her with seaports and intersected her by navigable rivers. She has given to her a climate eminently favourable to continued exertion of body and mind, and enriched her with minerals more abundant, more varied, and better adapted to one another, and to the wants of mankind, than those of any other country of equal extent. But there the profuseness of her generosity has ceased. Our territory is of limited extent, and still more limited fertility. Our climate confines us to a narrow range of vegetable productions, and what

we have are not distinguished by their excellence or their abundance. What would be the food, and what would be the clothing, of even our poorest population, if they were formed only of indigenous materials? What houses or what ships could we build from our internal resources?

On the other hand, the absence of unnecessary religious restraint, the security of person and property, the freedom of internal trade, our immunity from hostile invasion, and the non-existence of privileged orders, or of artificial obstacles to the ambition of the humblest individual—all these negative advantages, which it might have been supposed that every nation would secure to itself, but which, in fact, have never been fully enjoyed by any extensive country except Great Britain, and the nation which Great Britain has founded—all this absence of artificial evil has enabled us, during the 140 years that have elapsed since the Revolution perfected and secured it, to more than double our numbers, and more than quadruple our wealth. If we had done only one

of these things, if we had only increased our wealth, preserving our numbers unaltered, we should certainly have suffered severely from the privation of foreign commerce, our circle of enjoyments and our power would have been much diminished, but we might have existed, as a backward and second-rate nation, on the products of our own soil, worked up by our own manufacturers. Or if our numbers had increased without any addition of our wealth, the mass of our population would have been in nearly the same situation, in respect to wealth, in which the mass of the Irish population is now. They would have been eaters of potatoes instead of wheat, clothed in the rough manufactures of the country, and enabling a race of overgrown landlords to waste in coarse profuseness the cheap labour of their retainers. We should have felt little the want of foreign commerce, as little could have been obtained from it in return for the produce of our ill-directed labour.

But the course which we have run has com-

bined increased numbers with more varied wants and greater powers of production ; an increased taste for those comforts and luxuries which our own soil and climate deny, and still more increased means of purchasing them. The well-directed labour of an Englishman is worth twice as much as that of any other inhabitant of Europe ; it is worth four or five times as much as the labour of the less advanced European districts ; it is worth twelve or fifteen times as much as the labour of the most civilized Asiatic nations. It is true that the long course of perverse commercial legislation from which we are but beginning to emancipate ourselves, has prevented us from turning these advantages to the best account. Cramped, however, as we have been, we have so far made use of them, that a very large portion of our labouring classes are employed directly, or indirectly, in obtaining foreign commodities ; that we scarcely make a meal, or put on a dress, or enter a house formed solely of domestic materials. We are dependent on foreign countries, not merely for what

is agreeable, but for what custom has rendered necessary. Do I regret this dependence? Far from it, for it is the necessary consequence of two great benefits, the increase of our numbers and the increase of our wealth. It is the necessary dependence of the rich on the poor, of a metropolis on the surrounding country. The half-naked subjects of Caractacus were doubtless independent of foreign supplies, and so is the semi-barbarian who burrows in the ruins of Persepolis, and gathers his dates among the remains of palaces. Every approach on our part to a similar independence must be obtained by an approach to a similar condition. But if we only consent to use and improve to the utmost our natural and acquired advantages, if we only consent to buy what our neighbours are willing to sell, if we cease to refuse what they offer us on the ground that they offer it too cheaply, if, to use the words which the Member for Lincoln intended for irony, we open our eager arms to the unrestricted commerce of the world, I see no definite term to the

course of prosperity before us. I see no cause that, for ages to come, need check the progress of our wealth and our population. I see no reason why England, which now supports in virtue and in happiness more human beings than any other district of equal extent, should not contain a much larger population with still greater moral and physical advantages.

THE END.

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